

1063.0.0 SUPPLY INVENTORY SYSTEM

1063.1.0 Purpose

The purpose of this policy is to establish a uniform supply inventory system for the Department of Human Services (DHS).

1063.2.0 Scope

This policy is applicable to all divisions and offices that maintain storage areas for the redistribution of supplies.

1063.3.0 Policy Statement

All divisions of DHS, subject to this policy will maintain an inventory of supply items and conduct an annual physical reconciliation at the end of each fiscal year.

1063.4.0 Definition

1063.4.1 Supplies - Items that have a unit cost of less than \$500, including taxes, freight and installation charges and are expensed on issue

1063.4.2 Storage Area - A warehouse, building or room that is used for the purpose of storing supply items for redistribution to the ultimate user

1063.4.3 Reconciliation - The process by which supplies are counted and their inventories, including monetary values are adjusted and restored to the correct balance

1063.4.4 Gross Negligence - The failure to exercise the prudent and proper care of DHS property

1063.5.0 Supply Items Not Subject To This Policy

1063.5.1 The supply items listed below are not subject to this policy. However, this does not relieve management from their normal responsibilities for the efficient use and care of these items. Evidence of waste and/or theft will be investigated (see 1063.17.0 Investigations)

A. Fresh fruit and vegetables

B. Supply items that are procured and delivered by the vendor, directly to the ultimate user and never stored in a storage area

C. Supply items that have been issued from a storage area and maintained in desks, file cabinets and similar work areas and not restored in another storage area

1063.6.0 Division Responsibilities

Each Division Director must ensure that accountability is maintained for all items subject to this policy located within their division. Each division will implement procedures for managing storage areas, to include what supply items are to be stored and how such items will be procured, received, stored and issued.

1063.7.0 Maintenance of Records

1063.7.1 The Materiel Management Administrator for the central supply system and the Institution Business Manager is responsible for maintaining accurate and up-to-date records pertaining to all supply items within their respective area or institution.

1063.7.2 Staff responsible for the receipt and issuance of supplies may have inquiry access to inventory records, but should not have the capability to update or alter the records.

1063.7.3 All documents relating to the purchase, storage, issuance of supplies and reconciliation's, including any findings from investigations will be maintained for three years and all audits have been completed.

1063.8.0 Determining Value of Inventory

In determining the value of supply inventories the manager will use the most recent price paid for each item. State contract prices will be used for items purchased from state contracts.

1063.9.0 Issue

Supply items will be carried on inventory by the unit order (same as unit of issue) and priced by the cost of that unit. Supply items that have different sizes or volume will be carried as different items in the inventory system.

1064.10.0 Receipt of Supplies

1064.10.1 Upon receipt of supplies from the vendor, the receiving staff will inspect the shipment, indicate the number of items received and note damaged, defective or missing items on the receiving report. In cases of damaged, defective or missing items the vendor should be contacted as soon as possible to correct the shipment.

1064.10.2 The receiving report, invoice or shipping documents will be forwarded to Accounts Payable, Office of Finance & Administration. Payment for supply items will not be made by Accounts Payable until receipt of the supplies is verified by a signed receiving report.

1064.11.0 Storage of Supplies

Supplies subject to this policy will be stored in areas that do not allow general access and can be separated from other activities. Access to storage areas should be restricted to staff.

1063.12.0 Issuance of Supplies

1063.12.1 All supplies will be issued against requisitions that identify the ordering unit and items ordered. The ordering unit will sign and date a receiving report. Cancelled items or missing items should be reflected on the receiving report.

1063.12.2 The item file will be updated promptly after issue and adjusted if necessary after the receiving report is returned by the receiving unit, so as to maintain a perpetual inventory.

1063.13.0 Trade, Transfer or Exchange of Supplies

1063.13.1 Supply items cannot be given, transferred or traded to another government agency, private organization or vendor without the approval of the Department of Finance and Administration. In cases where these types of transactions are needed, contact the Materiel Management Section, DHS Office of Finance & Administration to make the arrangements.

1063.13.2 Supply items may be transferred from one storage area within DHS to another storage area, through the requisition process. The receiving storage area will add the items to their inventory.

1063.14.0 Physical Reconciliation

1063.14.1 The DHS Central Supply Unit and each institution will conduct a total physical reconciliation of all supplies subject to this policy during the last work week of the fiscal year. The Materiel Management Administrator and each Institution Business Manager will provide Management Services with a schedule to include the time and date for each of the applicable categories.

- Maintenance
- Gasoline & petroleum products
- Office
- Pharmacy
- Hospital
- Food Services
- Housekeeping
- Clothing
- Livestock
- Surplus Commodities
- Canteen

1063.14.2 The results of the annual reconciliation, including price extensions will be forwarded to the institution superintendent or assistant director as appropriate, within two weeks of completion. They will document their instructions for investigation, corrective action or "no further action required" and forward the

results of the reconciliation to the Materiel Management Section, DHS Office of Finance & Administration, within two weeks.

1063.15.0 Conducting Reconciliations

In addition to the annual reconciliation, it is recommended that limited counts of each primary storage area be conducted on at least a quarterly basis by the Materiel Management Administrator/Institution Business Manager or their delegate. While conducting the annual reconciliation or other counts, the following procedures will be followed:

- A. The counting of supply items should be conducted by staff that is not involved with the day-to-day issuing of the supplies being counted.
- B. Staff will be provided by the counting supervisor, a list of supply items to be counted that includes the stock number and description, but does not contain the inventory balance.
- C. The supervisor will compare the physical count to the inventory balance, and have any item recounted that varies from the inventory balance.
- D. The Materiel Management Administrator/Institution Business Manager will verify the physical count, investigate variances as necessary, reconcile the balances and report findings.

1063.16.0 Variances in Stock Levels

It is the responsibility of the DHS Materiel Management Administrator for the central supply system and the Business Manager or their delegate to investigate variances in stock levels and initiate appropriate corrective action. However, correction of records is not to be delayed for the accomplishment of follow-up events. Correction to balances must be made promptly with follow-up explanation provided to the appropriate supervisory levels.

1063.17.0 Investigations

1063.17.1 An investigation will be conducted when managers are unable to locate or account for supply items or they suspect waste or theft. The investigation is to be conducted promptly and correction of records is not to be delayed for the accomplishment of follow-up events.

1063.17.2 The manager will appoint staff (of supervisory/managerial or equivalent level) to investigate the case and present the facts. A memo from the manager (appointing authority) should be written to the appointed individual, notifying them of their investigative duties.

1063.17.3 The investigator will submit their findings in writing to the manager within five work days. The manager will add their recommendations to the report and submit

it to the Institution Superintendent or Assistant Director as appropriate. They will document their instructions for further investigation, corrective action or "no further action required".

1063.18.0 Audit

Inventories/reconciliations, being conducted by the custodial units, are vulnerable to subjective count; therefore, the Audit Section, Office of Chief Counsel, is to conduct supply inventories on a sampling basis and make recommendations to appropriate management, if sampling indicates that custodian conducted reconciliations are defective.

1063.19.0 Accountability

All supplies subject to this policy will be accounted for either by physical presence, usage reports, transfer documents or through the investigative process to determine cause of loss. Managers and/or staff may be subject to disciplinary action, for supplies that cannot be accounted for, if it is determined by an investigation, that gross negligence is involved. In cases involving theft, the theft should be reported to the local police.

1063.20.0 Designating Section/Department Contact

Administrator, Materiel Management Unit
DHS Distribution Center
1710 Frazier Pike
Little Rock, AR 72206

Telephone: (501) 370-9232 Ext.111