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AM-305-1 Part II

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Inventory System: Stock Items

SCOPE

An inventory system must provide a continuous running record of the items on hand. In particular, it aids control and safeguard of items. An inventory record is maintained on a current basis for each item of inventory. The record will provide for recording recipients, issues, and balances on hand, usually in both quantities and dollar amounts. Thus, the physical amount and evaluation of items on hand at any time are readily available from the accounting records. With such a record, it is possible to guide material procurement by establishing points on minimum and maximum quantities for each standard item stocked. Inventory records discourage inventory theft and waste, since storekeepers and other employees are aware of the accountability of goods established by this continuous record of goods received, issued, and on hand.

INVENTORY SYSTEM

In accordance with AM-305-1 Part I, all agencies shall conduct a physical count of all inventories controlled by the agency at least once per year, unless otherwise specified by grant or contract. When a discrepancy is found, the inventory records must be adjusted to the physical count. Differences, other than nominal amounts, must be investigated. The Chief of the Bureau of Accounting and Payroll Services as well as the City Inventory Control Officer should be consulted relative to establishing an inventory control system. For this purpose, an INVENTORY RECORD (28-1408-5157) may be utilized.

PHYSICAL INVENTORY PROCESS

- Designate employees to assume responsibility for the physical inventory other than employees responsible for storerooms and inventory records. For sizable inventories, a consultant may be utilized.
- Select the most advantageous date or dates for inventory taking.
- Review procedures followed in preceding year(s).
- Design and implement sheets, summary sheets, and other necessary forms. Serially numbered inventory count tags are usually attached to each lot of goods during the taking of physical inventory.
- Utilize an electronic tracking system approved by the Mayor's Office of Information Technology.
- Preparation of written instructions for all persons who are to participate in the physical inventory.
- Arrange for cut-off of goods received and internal transfers while the inventory is being taken.
- Control all documents throughout the inventory taking, costing, and summarizing periods.
- Prepare a list of all locations where the inventory is stored.

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- Employees whose duties do not include physical custody of inventories or perpetual inventory record keeping should perform physical counts.
- Segregate obsolete or damaged goods and materials and dispose of the same by established procedures.
- Inventory counts should be subject to adequate verification, i.e., recounts or spot checks.
- Investigate and resolve any difference between physical counts and inventory records.
- Ensure all sensitive items, as defined in AM-305-1 Part I, are appropriately tagged.

REPORTING REQUIREMENTS

When a theft or diversion is identified or suspected, there are several alternative reporting requirements depending on the circumstances.

- If there is physical evidence that the loss resulted from a theft, for example, breaking and entering, the Police Department should be contacted. Similarly, the Police Department should also be contacted if there is obvious evidence of a theft such as an employee being seen taking City property for personal use. In addition to notifying the Police Department, the City's Insurance Manager must be notified of such losses.
- If there are suspicions or allegations of theft or diversion by an employee, the Agency should undertake an inquiry calling on the Department of Audits from appropriate assistance. The Department of Audits will coordinate the reporting of such crime(s) to the Office of the State's Attorney, the State Prosecutor's Office, or other appropriate channels. Minor thefts or diversions involving City employees will be dealt with by the agency head for appropriate disciplinary action.
- Agency heads who become aware of irregularities, must report the matter immediately to the City Solicitor by MEMORANDUM for recommendations as to appropriate actions to be taken.
- Another reporting mechanism available to all employees is the City Fraud Hotline, 396-3589.

IMPELEMENTATION

Unless otherwise specified by law, contract, or other binding agreement, agencies may adopt a separate process or policy, subject to approval by the Director of Finance that is at least as stringent as this policy.

RELATED POLICIES

AM-305-1 Part I

CONTROL OF CITY INVENTORY AND MANAGEMENT OF CITY ASSETS

AM-205-5

EMPLOYEE CLEARANCE ON TERMINATION

AM-205-5-1

EMPLOYEE CLEARANCE CHECKLIST

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AM-306-1	PROPERTY DISPOSAL PROGRAM (EXCLUDING REAL PROPERTY)
AM-501-1	CITY OWNED VEHICLES
AM-505-1	INSURANC ADMINISTRATION