

**1000.14 SUBJECT: CLOSED STORES SYSTEM**

:1 OBJECTIVE:

To establish parameters for establishing the Closed Stores System concept within those City Programs that have an inventory of regular stock valued at more than \$5,000.00. Seasonal supplies, office supplies and working stock items are excluded from this procedure.

:2 AUTHORITY:

This procedure adopted by City Council September 15, 2003.

:3 DIRECTION:

The Director of Purchasing and Materials Management, as an appointed official, serves at the pleasure of, and receives direction from the Mayor through the General Administration Department Director.

:4 THEORY OF OPERATION:

A. Definitions

*Closed Store* - An inventory storing facility which is physically secured from entry by unauthorized persons for the purpose of insuring that all materials and supplies entering and leaving the facility do so only with the accompaniment of - established accounting document. Personnel authorized by the appropriate Office Head or Bureau Chief to enter a closed storeroom are trained to administer the prescribed documentation procedures which are required for computerization.

*Excess Stock* - All items which are on hand in a quantity greater than generally a one-year supply based upon current forecast usage. For example, an item with a current forecast usage of ten (10) units per month has three-hundred (300) units on hand. Based upon the current forecasts, the number of units expected to be used during the next twelve months is one hundred and twenty (120) units ( $10 \times 12 = 120$ ). With a one-year supply of one hundred and twenty units, there is an excess quantity of one hundred and eighty (180) units on hand ( $300 - 120 = 180$ ).

*Item* - A specific material (type, size, color) regularly carried in stock, identified by a City Stock Number, and accounted for in the automated Materials Management System.

*Working Stock* - Small quantities (30 day supply) of materials kept in a work area.

*Regular Stock* - Items authorized for stockage under the Closed Stores system.

*Scrap Stock* - Any metal item or material that may be reclaimed through melting and refining and the condition of which in its present form makes it unsuitable for any other use.

B. General

The Closed Store Concept is applicable to storerooms where the volume of activity is significant and funds invested in inventories exceed \$5,000 per stocking location.

Once a closed store environment is established, it then becomes possible to achieve inventory control and accounting accuracy. Inventory record accuracy is important for very basic reasons.

1. Inaccurate knowledge of supplies leads to the belief that either:
  - a. Supplies are available when they actually are not. Stockouts result causing work crews to be held up, or emergency purchases to be made at premium prices.
  - b. Supplies are low or exhausted when they actually are available. Orders are generated and excess inventory is brought in; the storeroom becomes crowded, and funds are needlessly tied up.
2. Inventories represent funds invested which must be controlled and accounted for.
3. Inventory moving in and out is documented so record accuracy and an audit trail can be maintained.

C. Instructions

1. The stocking Department will assign an individual to coordinate the implementation of the Closed Store Concept and to act as a liaison with Purchasing & Materials Management in storing and inventory management matters.
2. The liaison will meet with Materials Management Personnel and receive copies of Closed Store Implementation Checklist (Attachment 1).
3. All personnel involved with the inventory control will be scheduled to attend the Inventory Management Workshop.
4. A checklist will be started for each stocking location.
5. Upon the completion of Part I of the Checklist by the person responsible for the storage facility, the Department will notify Materials Management.
6. Materials Management will assist the Department's storeroom personnel in completing Part II of the Checklist.
7. Materials Management will complete Part III of the Checklist.
8. Storeroom personnel will complete Part IV of the Checklist.

5 FORMS:  
Closed Stores Implementation Checklist

:6 COMMITTEE RESPONSIBILITIES:  
None.

:7 REFERENCE:  
Procedure adopted by City Council October 9, 1989, Item 20 (A20); amended April 17, 2000, Item 3-D; policy section # changed from 191.14, April 2004.

:8 EFFECTIVE DATE:  
This procedure effective September 15, 2003.

## CLOSED STORES IMPLEMENTATION CHECKLIST

### Purchasing and Materials Management

Department  
Liaison  
Storeroom  
Date

A closed store environment will be based upon the accomplishment or verification of the conditions/actions reflected in this checklist.

I. City Departments responsible for storing facilities will be assisted in the accomplishment of the following by the Office of Purchasing:

\_\_\_\_\_ Employee(s) assigned to control issues and receipts. If work load does not justify a full-time person, hours of storeroom operation are established.

\_\_\_\_\_ Name(s) and telephone number(s) of persons responsible for storeroom operations reported to Materials Management Section.

\_\_\_\_\_ A controlled area is established, accessible only to authorized personnel.

\_\_\_\_\_ All materials except working stock returned to controlled storage area.

\_\_\_\_\_ All materials classified as Regular, Excess, or Scrap Stock.

\_\_\_\_\_ Check and balances established by separating the responsibility of ordering from that of receiving material.

\_\_\_\_\_ Issues of assets controlled by signature.

\_\_\_\_\_ Tools controlled by tool crib using receipted tool listing or a hand receipt.

II. The Materials Management Section will assist department storeroom personnel in their preparation for conversion to the automated City Inventory Management System as follows:

\_\_\_\_\_ All materials identified and concise descriptions prepared.

\_\_\_\_\_ The following data determined for each line item:

- a. Unit of Issue
- b. Lead Time in months
- c. Forecast Monthly Usage
- d. Unit Cost
- e. Physical Inventory Cycle Number
- f. Usage history, if available
- g. Bin Locator, if applicable
- h. Category Codes, if applicable

III. The Materials Management Section will be responsible for the following actions:

\_\_\_\_\_ City Stock Numbers assigned to each line item based on data developed as specified above.

- \_\_\_\_\_ Storeroom location code(s) assigned.
- \_\_\_\_\_ Inventory account is properly identified through assignment by the Finance Department of the Program Code and Inventory Detail Code.
- \_\_\_\_\_ Program Code and Inventory Detail Code reported to Data Processing Systems for file loading with the Location Code(s).
- \_\_\_\_\_ Applicable inventory account number determined for each closed store location in cooperation with the Finance Department and Office of Management and Budget.
- \_\_\_\_\_ All above information collected, prepared and loaded into the system.
- \_\_\_\_\_ Bin labels produced for use by storeroom personnel.
- \_\_\_\_\_ Education and training provided for all users. This will be conducted partly in a classroom environment plus practical application in a work environment.
- \_\_\_\_\_ Inventory Count cards, furnished to storeroom personnel for use in recording actual physical inventory counts.

IV. Using Department personnel will be responsible for the following:

- \_\_\_\_\_ Wall-to-wall physical inventory conducted to determine actual beginning balances for entry into the City Inventory Management System.
- \_\_\_\_\_ Inventory cards returned to Materials Management Section.

The above having been done, Materials Management will enter and verify all data to assure completeness and accuracy. The system and location files will then be ready for commencement of posting daily transaction. It will be the responsibility of the using Department to make available to Materials Management weekly the original copies of transaction documents for entry into the system and subsequent file update.

The above checklist was completed:

/s/  
Materials Management  
/s/  
Department Head