

July 4, 1978

To: Johnny Jones, Chief Administrative Office
From: Harold Bogue

Subject: Departmental Inventories

Basic Plan:

In order to maintain a system of controls on all inventories that will assure adequate stocks at all times I suggest the following be required of each department maintaining inventories:

- 1) Perpetual inventory records, approved by the C.A.O., be maintained in each department and remain available for inspection by the C.A.O. or an appointed representative, on demand.
- 2) Monthly summary usage and receipts reports be generated from the department's inventory records and be given to the C.A.O. no later than the 5th day of the month following.
- 3) Physical inventories be taken by each department each 3 months and a copy be given to the C.A.O.
- 4) Spot audits be taken in all departments every 3 to 6 months, or as deemed necessary, by an auditor selected by the C.A.O. If serious differences or errors are detected then a more complete audit may be ordered.

Minimum/Maximum Levels and Re-order Points:

The C.A.O. should sit down with each department head and set proper inventory levels (maximum and minimum) and re-order points, keeping in mind the regular reserves required and the anticipated time lag in receiving re-orders. A safeguard system will be required to assure that "critical" items to the departments or project's function will not be allowed to drop below predetermined "safe" re-order points. This system to be approved by the C.A.O.

Maintenance and Reviews:

Once the inventory system is set up and functioning periodic reviews of the system would be in order to pick up any areas requiring change or improvement. This period should be established based on the size, value (or cost) and degree of importance to operational functioning and efficiency of the particular inventory and department. Also, whenever inventory differences are not adequately explained or corrected then a review be set up with the department head and corrective measures be established or appropriate disciplinary action be instituted.

C-11-e-20