STANDARD OPERATING PROCEDURE

Original Date of Issue: June, 2018
Revision Date: June, 2018
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Department: The Day & Nite Family of Companies
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Popular Plumbing AND HEATING CORPORATION

REFRIGERATION & AIR CONDITIONING SERVICE CO. Day & Nite

ALL SERVICE COMMERCIAL KITCHEN EQUIPMENT REPAIR

10 CHARLES STREET, NEW HYDE PARK, NY 11040

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Inventory Management

PURPOSE:

To explain the procedure of maintaining proper inventory levels.

RESPONSIBILITY OF:

The Inventory Control Specialist & Procurement Dept.

SECTION 1: Inventory Item ID

- All parts ordered for jobs and/or stock must have an inventory item ID. The following fields should be completed when entering an inventory item:

Under the Main Tab of the Inventory Item Icon

1. Inventory Item ID: part number
2. Inv Item Name: description of the item
3. Unit of Measure: how is the item sold? Each, minimum quantity, pack, by the foot
4. Inv Group ID: Manufacturer
5. Equipment Type ID: If the part is to be stocked, you must enter the turn level of either A (high turning item), B (low turning item), C (dead or no turn item). **Note: we might need to come up with a new system for the turning levels. Example a Level A item in NC might be a Level C item in NY. The last discussion of this problem, we were told to use the turning level as it applied to NY as we have the greatest inventory, but this may need to be revisited.
6. Stocked Box: If the part is a stocking item, you must check the stocked box

Under the Pricing/Costing Tab

7. Unit Prices: List Price or price you are charging the customer
8. Use Price Levels: Check the box
9. Price Effective Date: Enter todays date

Under the Purchasing Tab

10. Manufacturer: Type the Manufacturer
11. Manufacturer Model: Type any and all part numbers this item may be known as

Under the Vendors Tab

12. Vendor ID: Enter the vendor number of the company you are purchasing from
13. Price: Enter the cost of the item
14. Vendor Part Description: Enter description of part
15. Vender Part Number: Enter the vendor order number

- All stocked inventory items must have a min/max level set. Min/Max levels are established based on usage levels and are to be adjusted as needed, and re-evaluated quarterly
- All stocked items are to be barcoded upon receipt and placed in the corresponding bin/shelf in the warehouse

SECTION 2: Cycle Counts

- Cycle counts of 30 items are to be conducted daily on warehouse inventory items
- Cycle counts of 10 items are to be conducted monthly on service vehicles either in the field by the Field Supervisor or by the Inventory Manager at the warehouse, both in which the Service Technician is present for
- Complete physical count of all service vehicles are to be conducted once every year
- Complete physical count of the warehouses are to be conducted once every year, unless cycle counts have an accuracy rate of 95% or higher
- Any differences in the inventory physical count versus on hand count in the computer must be reviewed and examined for potential causes. Unknown reasons are to be reported to upper management. At this time the necessary inventory adjustments are made to ensure the physical count matches the on hand count. All adjustments made as a result of cycle counts or physical counts must be done as quickly as possible to ensure accuracy
- Cycle count and physical count records/documentation are to be kept on file for 1 year

SECTION 3: Re-ordering warehouse Inventory

- Re-order reports for the warehouse are to be generated 2-3 times weekly. Purchase orders are then placed based upon quantities suggested listed on the report and with the vendor offering the best price/availability
- Re-order reports for service vehicles are generated weekly for each technician, AND in real time if the Technician comes into the warehouse. Parts needed as shown on the report are pulled from the warehouse and giving to the Technician. An adjustment entry is made in the computer to move the inventory from the warehouse location to the truck

- If a technician is in the field picking up truck stock, he/she will call the parts department for a purchase order. The purchase order will be created and received in real time for that particular truck

  *Ideally I would like to see this process stopped as when a tech picks up inventory in the field, the item is not barcoded which can increase the chance for mistakes when choosing inventory items on call slips.

- Any negative on hand counts on the re-order report are to be evaluated and questioned. Adjustments are made to correct the negative count

SECTION 4: Returning Inventory

- Call slips that contain parts that need to be returned (whether the part is wrong, duplicate, defective, warranty, damaged, not needed, job was cancelled, etc.) must be changed to a status of "on break". If the part is in the field, the "return to inventory" button is clicked to move the part from the job to the Technician vehicle. A note is then added to the call slip to indicate why the call slip was marked "on break" and to confirm that the part was moved to the technician vehicle.

- On-break reports are to be run weekly for each technician, and daily for any tech that will be receiving parts for jobs. Items on the reports are to be returned by the technician or the field supervisor to the warehouse to prepare for return.

- Any emails pertaining to a parts return should be forwarded to the returns administrator.

- Parts are to be evaluated for reason of return and sorted accordingly.
  1. Inventory that are stocked items, can be put back into the warehouse as inventory. An inventory adjustment must be made from the techs vehicle to the warehouse to indicate the part was returned and then physically put back onto the proper bin/shelf location. A note is then added to the system confirming that the part has been put back into stock.
  2. Defective parts are to be returned to the purchasing vendor immediately.
  3. Warranty parts are to be returned to the manufacturer as requested, OR held until the invoice is paid, at which time it can be thrown away.
  4. Non stocking items should be sorted and grouped by purchasing vendor and returned according the return policy of the vendor, whether quarterly or monthly, etc. An inventory adjustment must be made from the techs vehicle to the warehouse, and a note entered on the call slip confirming that the part was received in the warehouse and will be returned.
  5. Any part with a cost over $500 must be prioritized and returned within 48 hours of receipt.

- Once a list of parts to be returned has been created, a return request can be made to the vendor according to the vendor return policy. When the return authorization documents have been received, a Credit Purchase Order must be created for the items being returned. A note is added to the credit PO to indicate the call slip that the item was originally purchased on and a note is added to the call slip indicating the credit PO number that the parts were returned on. The items and documents are then given to the shipping department to process the shipment.

- The inventory should be evaluated yearly for slow moving and/or dead stock (level C items) and returned if possible. If a return is not possible, a list of the items in questions should be compiled and brought to the attention of upper management for possible write off.