

## **I. PURPOSE**

The purpose of this policy is to provide guidance regarding the management of all physical inventory recorded on company financial statements.

### **A. Who is Covered by This Policy**

All Core B&I Food Sectors are required to comply with this policy. This policy does not apply to Levy or *Bon Appetit*.

## **II. POLICY**

### **A. Inventory Timing and Frequency**

#### **1. Timing**

- a. Inventory should be taken at the same time of day each week on Thursday afternoon or the last day of the month.
- b. Items where the invoiced amount has been included in the week's financial numbers must be included in the count.
- c. Exclude products received during or after the count on Thursday unless their invoiced value has been recorded. These items should be counted in the following week.
- d. Include items and deliveries that have been removed for Friday service (Note: items removed for Thursday service should not be counted)

#### **2. Frequency**

- a. Accounts with budgeted revenue greater than \$1 million or those that do not meet the requirements for Monthly Inventory in II.A.3.a:
  - i. Inventory should be conducted weekly at the end of each accounting week on Thursday afternoons.
  - ii. Inventory must be counted on the last day of the month.
  - iii. If the month and accounting week both end in the same week, inventory should only be counted once on the last day of the month. (Example: If Tuesday is the end of the month, but normally inventory is taken on Thursday; use the Tuesday count in lieu of the Thursday count)

#### **3. Temporary Monthly Inventory Count (Exempt from weekly inventory)**

- a. Accounts must meet the following requirements:
  - i. Accounts that have been operating more than 6 months
  - ii. Accounts that have \$1 million or less in budgeted revenue
  - iii. Accounts that do not bill the client on a weekly basis
  - iv. Accounts that have not received a red audit or red ICR in the current or prior year
  - v. Accounts that have not had documented financial or accounting fraud at the account in the current or prior year
- b. Frequency
  - i. Accounts operating on this policy should conduct inventory monthly on the final day of the accounting month.
    1. For fiscal units, this is the last Thursday of each month, in the afternoon.
    2. For monthly units, this is the last day of the month, in the afternoon.
- c. Reversion to Weekly Policy
  - i. Accounts that fail to meet the criteria stated in section 3.a above will revert back to a weekly inventory policy.
  - ii. Inventory must be counted on the last day of the accounting week, in the afternoon.

## **B. Who Counts Inventory**

1. Two people must count and/or check each other during the count of the inventory.
2. Inventory Count Sheets need to be reviewed all parties who participated in the process.
3. The individuals who take inventory should be rotated (if the number of staff available allows) on a regular basis.
4. The unit needs to document the individuals responsible for each count.

## **C. Pricing**

1. Inventory item pricing should be updated on a regular basis and reflect the most recent invoice price. Ideally, pricing should be updated near the end of the accounting period to ensure an accurate inventory value.

## **D. Location to Location Transfers**

1. Inventory transfers within a shared marketplace or region must be documented within the company in-unit financial application with sufficient details of what was transferred, when the items were transferred and the value of the transfer for tracking and audit purposes.
2. End of Season Transfers (if applicable)
  - a. Locations are required to submit an End-of Season list to Culinary and Sector Finance for potential transfers to active locations where feasible.
  - b. Approval of Culinary and Sector Finance is required prior to wasting any end-of-season inventory.

## **E. Record Keeping and Retention**

1. Electronic or paper count and valuation records must be accessible at the location for a rolling 12 months:
  - a. Electronic count records must be closed in the inventory system.
  - b. Any paper records that exist must be stored in the weekly folder.
2. For account openings beginning inventories must be signed by the Client and/or previous vendor and Director and sent to Accounting and Legal.

## **F. Minimum Inventory Standards**

1. All required items must be physically counted and not estimated.
2. Inventory must be counted using the shelf to sheet method where you locate the item on the storage shelf first and then record it on your count sheet to ensure all items are counted.
3. Storage areas must be organized before inventory is taken.
4. Products received prior to the count must be included in inventory.
5. Prepared products that are on the serving lines and/or leftover products in food storage areas should not be counted.
6. Products in the kitchen and serving areas should be counted only if they are still in the original package.
7. A company approved inventory software (i.e. MyOrders) must be used for all physical inventories and to record taken inventory.
8. All units that use MyOrders must review and close their inventory valuation report in MyOrders at the end of the week/month that the inventory is taken.
9. Inventory should not be transferred between financial reporting categories at any time. Example: Food to Beverage or Beverage to Food.
10. Financial and inventory systems must align each week.
11. The unit of measure must be clearly indicated on the inventory listing, and the product must be counted in that unit of measure. The unit of measure must be entered based on the unit in which the product was purchased (obtained from the invoice).

Subject: <b>Inventory Policy</b>	Originating Dept.: <b>Internal Audit</b>	Number: <b>I-3500B</b>
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12. Products that are not useable and cannot be returned to the supplier must be discarded and not counted. The operation needs to document the description, quantity, price and explanation for all discarded items in the weekly accounting file.
13. Any unexplainable inventory variances must be escalated to the next level of management.

#### **G. Inventory Exceptions**

1. Timing:
  - a. Inventory Counts on Wednesday:
    - i. If a special circumstance requires inventory to be counted on Wednesday afternoon, the operator must:
      1. Segregate the products that are expected to be used on the following day so they are not included in the inventory count
      2. Include deliveries on Wednesday in the count, unless the products are to be used in Thursday service.
  2. Client Inventory - What to Inventory – If client inventory is counted and follows an alternative policy set by the client than what is set forth by the Compass policy, the Client policy will supersede the Compass policy.
  3. Who Counts Inventory – Units with only one salaried employee on staff are not required to have two people conduct inventory. In these cases, one employee can conduct inventory.

### **III. ADMINISTRATION/RESPONSIBILITY**

1. The Internal Audit Department is responsible for the overall administration of this policy.
2. Sector Finance is responsible for compliance with the provisions of this policy.
3. Field Operations is responsible for following the policy and escalating any variances.
4. Any exceptions to this policy must be approved by the Internal Audit Department.

#### **ADDENDUM**

Everything above is applicable to the Eurest Sector, with the below exceptions / clarity provided for Eurest only. The purpose of this addendum is to provide additional guidance regarding the management of all physical inventory recorded on company financial statements.

### **IV. EUREST POLICY**

#### **1. Items to Inventory**

<b>Items</b>	<b>Count</b>
<b><u>Food Items</u></b>	
<b>Solid Dairy</b> – Cheese (Bulk & Grated) Ice-cream	Full Cases
<b>Proteins (Fresh &amp; Frozen)</b> – Meat, Poultry, Fish, Shellfish, Plant Forward (Jack Fruit), Eggs	Full & Partial Cases
<b>Frozen items</b> – Bakery Goods, Soups, Sauces, Stock, Broth, Frozen Vegetables, Desserts, Commodities	Full Cases
<b>Beverages – Back of house (BOH)</b>	Full Cases
<b>Other-</b> Spices, condiments, snacks, etc.	Full Cases
<b>Alcohol</b> – Beer, liquor, wine, etc.	Full & Partial Bottles

<b><u>Non-Food Items</u></b>	
<b>Cleaning Supplies</b> – Chemical and Non-Chemical	Full Cases
<b>Paper Products/Disposable Serve ware</b>	Full Cases

**The categories listed below do NOT need to be counted:**

<b>Items</b>	<b>Description</b>
<b>Front of House</b>	Items that customers can touch i.e. Chips, Candy, Snacks, drinks
<b>In Production</b>	BOH items that are in use, prepped, par-cooked or open container
<b>Fresh Bakery</b>	Fresh bakery, pastry, and dessert items purchased from local model market or exception vendor.
<b>Fresh Produce</b>	Fresh fruit and vegetable items purchased from local model market or exception vendor.
<b>Fresh Liquid Dairy</b>	Liquid eggs, Whole Milk, Half Milk, Almond Milk, Soy Milk, Buttermilk, Sour Cream, Cream

2. **Inventory exception G – 1. Timing, a. does not apply to Eurest.** Inventory counts must be performed on the last day of the month. If weekly inventories are required due to the size of the operations, those counts must be performed on Thursday. If the month end and Thursday inventory dates fall within the same week, the inventory must be performed at the end of the month.