SUPPORT SERVICES JOB AID

NAF Fiscal Oversight
Inventory Supplies, Resale Merchandise,
Equipment and Property

DO THIS
TASK WHEN

- Supplies, resale merchandise, equipment, and property have been received.

- There is turnover of function from one manager, supervisor, or fund custodian to another.

- A manager, supervisor, or fund custodian will be gone from the Program, business or office for more than 30 days and he/she doesn't have an assistant.

- Complying with local FFR instruction/policy.

- Applicable to your Program. (e.g., quarterly, monthly, or more often if needed.)

- Controlling sensitive, high value and/or highly pilferable supplies, resale-merchandise, equipment, or property.

- Surprise/unannounced spot checks identify suspected discrepancies.

- You receive reports or suspect theft, misappropriation, waste, fraud, or abuse.

- A security violation, theft, or intentional destruction occurs.

- The annual inventory of fixed assets is due.

- Directed by higher authority.

REFERENCES	• CNICINST 1710.3, <u>Operation of Morale, Welfare, and Recreation MWR Programs</u>.
	• CNICINST 7043.1, <u>Procurement Policy for Bureau of Personnel Nonappropriated Fund Activities (NAFIs)</u>.
	• CNICINST 7000.3, <u>Accounting Procedures for Navy Nonappropriated Funds</u>.
	• DODI 7000.14-R, <u>Department of Defense Financial Management Regulations</u>.
	• SAP/AIMS/RAMCAS User Guides(s).
	• Local instructions and standard operating procedures (SOPs).

SUPPLIES/ RESOURCES	• Physical inventory lists of supplies, resale merchandise, equipment, and property.
	• Automated inventory printouts from point-of-sale and similar business specific database programs.
	• SAP Inventory Lists
	• Property and Depreciation Record, (NAVCOMPT Form 742).
	• Stock Record Card, (NAVCOMPT Form 742-1).
	• Custody Receipt, (NAVCOMPT Form 744).
	• Inventory Record, (NAVCOMPT Form 2215).
	• Custody Record Card, (NAVCOMPT Form 745).
	• Facility floorplan.

THIS TASK IS DONE CORRECTLY WHEN

- The results of your annual inventory of your Program's fixed assets match what is recorded on the FFR Department's, FFR Business Office's, or the Supply Office records for your Program.

  - The process includes a reconciliation of all transfer/ disposal records and signed temporary custody records.

  - The process includes at least two staff members, one of whom is not associated with the function being inventoried, and one who is not directly responsible for the inventory.

  - Each fixed asset item is physically found in the location as recorded on the item's property record.

> **NOTE:** NAF Fixed assets include all your Program's items that have a single item or group initial acquisition cost of $2,500 or more, retain original identity, will NOT be consumed in normal use, **AND** have a useful life expectancy of 2 years or more. ($100k for APF fixed assets.) Property purchased with UFM for $1K or more are listed on the Asset Records in SAP.

- Your fixed assets are correctly marked with a permanently affixed property identification tag bearing a unique identification number and referenced in SAP records.

- The results of periodic inventories of your minor property match what is recorded on the minor property records for your Program, business or office.

  - The process includes a reconciliation of all transfer/ disposal records and signed temporary custody records.

  - The process includes at least two staff members, one of whom is not associated with the function being inventoried.

THIS TASK IS DONE CORRECTLY WHEN (cont.)

- Each minor property item is physically found within the control of your Program.

> **NOTE:** NAF minor property includes all your Program's items having a single-item or group initial acquisition cost between $1,000 and $2,499.99, that are NOT consumed in normal use, and are "durable" and "lasting". (APF minor property is $2500 to $100k.)
>
> Supplies are NOT considered minor property!

- Your minor property items are correctly marked with a permanently affixed property identification tag.

- You accomplish quarterly, monthly, surprise and spot check inventories per official and local instruction and policy.

- Your cost of goods sold (COGS) with regard to your inventory is within locally established COGS/gross profit standards. (These goals are typically derived from historical records, experience, budget records, and/or prescribed financial standards as listed in CNICINST 1710.3)

- Your inventory of high value items matches what's:

  - been purchased
  - on hand
  - in storage
  - sold
  - or transferred in/out

- Your merchandise shrinkage is no greater than one percent (or a locally established figure) of retail sales. (See Control/Minimize Shrinkage.)

NOTES

Inventorying is an important control tool just as are your locks, safes, cameras, anti-theft devices, daily cash accounting, separation of functions, use of checklists, etc.

And like all controls, the time and cost of your inventorying methods and processes should NOT exceed the value of the supplies, resale merchandise, equipment, and property you are trying to protect.

Hopefully, you won't drive yourself, your staff or your customers completely nuts trying to nail down the location and status of every single item of little to no value or significance. You need to control and inventory sensibly for efficiency, effectiveness, and cost containment.

This task presents a way to conduct physical inventories which is in accordance with Navy and FFR policy.

You are required to conduct an annual inventory of all APF fixed assets. Depending on your workload, the size and scope of your Program, and the quantities and types of items in your inventories, you will need to decide whether to conduct the APF fixed assets inventory at the same time as other NAF inventories or on separate schedules. (Check your FFR Department's inventory policy/practices.)

Regular inventories provide a deterrent to asset misappropriation. Methods and processes implemented should provide for surprise inventories, a comparison of Cost of Goods to Sales, analyzing inventory balances, entries (purchases) and disposals/issues.

PROCEDURE

Step 1   Make the following decisions prior to conducting inventories.

☐   Day of inventory as determined by type of supplies or property. (Minimum frequencies are found in DODI 7000.14-R, CNICINST 7000.3 and <u>Control Supplies, Resale Merchandise, Equipment, and Property</u>.)

☐   Time of day to conduct inventory. (Usually dictated by hours of operation.)

☐   Person assigned to count and call the inventory.

☐   A different person assigned to record the inventory.

☐   A third, disinterested party from somewhere else in your Program (or another in accordance with local policy) to perform random inventory verifications on a predetermined percentage of the inventory. (Typically 10-20%.)

☐   Inventory cut-off date for:

- Receipt of goods.
- Transfer/movement of goods.
- Price changes.
- Returns to vendor/from customer (or another Department).
- Actual sales.

☐   Detailed floor plan, diagrams, etc.

☐   How the area will be prepared for the inventory and who will accomplish the preparations:

- All shelf items organized into neat piles, rows, etc.
- Like-products organized together and in one place/area.
- All empty/open boxes and packing material removed from the area.
- Prices affixed to items. (Retail or cost depending on your Program type.)

☐   How to handle the following special situations:

- Special order items.
- Items that have been sub-custodied and are not currently located in the area being inventoried.

☐   When to conduct a pre-inventory meeting to provide instructions and training; to make assignments; to discuss unique situations; to coordinate dates/times; and to develop pre-listed inventory sheets.

Step 2   Obtain the inventory form(s) needed. Do not indicate quantities on the form; the quantity will be determined in the inventory.

IF INVENTORY IS:	AND:	THEN:
Automated	List of items is complete	1. Print out inventory forms. 2. Continue with Step 3.
	List of items is **NOT** complete	1. Enter items following software program instructions. To identify items to list, use: • Past inventory records. • Stock Record Cards. • Purchase documentation. 2. Print out inventory forms. 3. Continue with Step 3.
NOT Automated	Pre-printed forms are available	1. Get the Forms. 2. Make any additions you know about. 3. Continue with Step 3.
	Printed Forms are **NOT** available	1. Copy the blank Inventory Form provided at the end of this task. 2. Prepare the inventory sheets in order that items will be inventoried **BEFORE** commencing the inventory; **NOT** during the inventory. To identify items to list, use: • Past inventory records. • Stock Record Cards. • Purchase documentation. 3. Continue with Step 3.

NOTE:	Local Inventory Forms may be used. Our example uses a NAVCOMPT FORM 2215. All inventory sheets should be pre-numbered and accounted for. You, or a member of your staff, should prepare the pre-numbered and pre-listed inventory sheets for your resale operation several days in advance of the scheduled inventory.

Step 3   Ensure all required information is entered on the inventory forms.

(See example NAVCOMPT Form 2215 on the following page).

A completed inventory form should include:

☐ Date of inventory. **(A)**

☐ Department or storeroom. (i.e., Dry storage) **(B)**

☐ Sheet number. **(C)**

☐ "Entered by," signature of person who CALLED the inventory. **(D)**

☐ "Checked by," signature of person who RECORDED the inventory. **(E)**

☐ Assign a NAF or product identification number.   **(F)**

☐ Description of item. **(G)**

☐ Unit or size of item (this means "unit of issue"). **(H)**

☐ Total quantity of items counted. **(I)**

☐ Unit cost of item. **(J)**

☐ Extension of total cost of items. This information is determined by the Business Office if using a manual system. In cases where an electronic system is in use, the inventory will be extended automatically. **(K)**

☐ Signature of person who PRICED the items. **(L)**

NOTE:	Maintain a separate Inventory Record for expendables (minor property); non-expendables (fixed assets); resale merchandise; prepaid supplies; and expendable property other than minor property.
	Maintain separate inventory sheets for each different location.

Inventory Supplies, Resale Merchandise, Equipment and Property

	INVENTORY RECORD NAVCOMPT FORM 2215 (3 PT) (REV 3-72) S/N 0104-LF-706-5400				DATE OF INVENTORY **(A)**		

DEPARTMENT OR STOREROOM

NAS SEAPORT FFR
Rec Sports Locker **(B)**

SHEET NUMBER: *1* OF: *1*

(C)

ENTERED BY **(D)** | CHECKED BY **(E)** | PRICED BY **(L)**

INDEX NUMBER	DESCRIPTION	UNIT OR SIZE	TOTAL QUANTITY	UNIT COST	EXTENSION	UNIT RETAIL PRICE	EXTENSION
001-002	*Basketball - Rawlings*	*ea.*	*2*	*$30.00*	*$60.00*		
	Softballs - Dudley	*ea.*	*20*	*$3.00*	*$60.00*		
003-017	*Bowling Shoes - Brunswick*	*ea.*	*15*	*$25.00*	*$375.00*		
(F)	**(G)**	**(H)**	**(I)**	**(J)**	**(K)**		
(L)		**TOTAL**					

PART 1

* U.S. GPO: 1984-709-402/633

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Step 4   Ensure caller and recorder have access to all inventory.

Step 5   Ensure inventory is taken correctly and in the following order.

    ☐ Items recorded in the order they are stored or placed.

    ☐ Be systematic, methodical, and thorough. (Having to repeat inventories due to carelessness is not fun and is an unnecessary cost.)

        ☐ Begin with top shelf of first row.
        ☐ Work down through shelves on that row.
        ☐ Move to top shelf of next row, and repeat process until finished.

    ☐ Complete one room/area at a time.

Step 6   Ensure caller and recorder call and record accurately:

IF:	THEN:
Caller	1. Identify and call the item name (and ID number, if applicable/present). 2. Call the unit of issue and size as applicable. 3. Count and call the quantity, and price if applicable. 4. Repeat until every item is counted.
Recorder	1. Repeat the item name (and ID number if called) to counter. 2. Check or enter unit of issue or size on inventory form. 3. Repeat the count and enter count and price in quantity and unit cost columns on inventory form. 4. Repeat until caller has finished counting.

Step 7   Ensure caller signs the "Checked By" (or Counted by) block and the recorder signs the "Entered By" (or Recorded by) block.

Step 8   Ensure the person assigned to verify/oversee the inventory accomplishes the following throughout the inventory:

☐ Spot check counts for accuracy of the inventory processes.., that is, "quantities, units or issue/size, pricing", etc. (Typically 10-20% of each inventory should be verified by this third person.)

☐ Confirms that the caller(s) and recorder(s) are following procedures.

☐ Checks quality of the items being inventoried--unacceptable/unusable items should be disposed of in accordance with applicable policy. (See Ensure Proper Disposal of NAF/APF Property Equipment and Vehicles.)

☐ Checks inventory sheets for:

- Legibility.
- Signatures.
- All inventory sheets accounted.

☐ The area is secure during the inventory and access by unauthorized staff, vendors, or customers is restricted.

☐ Each inventory area is secured upon completion of the inventory in each specific area.

☐ If this is an inventory of fixed assets or minor property, he/she must also confirm the following:

- Permanent property tags are affixed to each item.
- The item is found where it is listed on the inventory record.
- Item remains in acceptable condition.
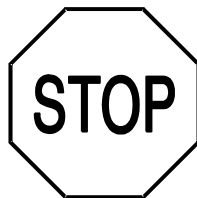- Serial numbers, model numbers, accounting numbers, etc.

Step 9   Make copies of all completed inventory forms for your file.

Step 10   Forward completed inventories per local policy for pricing and extensions as applicable. (This is typically accomplished by the FFR Business Office.)

> **NOTE:**   To save time prior to subsequent inventories consider accomplishing the following:
>
> - Prepare Inventory Forms listing regular stocked or permanent items in advance.
>
> - Make copies of the current inventory sheets with pre-listed items, BEFORE entry of quantities, prices and extensions and use this as your master copy.
>
> - Make minor adjustments from month-to-month to include new inventory items or to eliminate items you no longer stock.

Step 11   Obtain a copy of extended inventory.

- Check for accuracy of calculations.

- Ensure all pages are present.

- File in your files (use to check against entries on P&L Statement).

Congratulations! You've completed this task.

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INVENTORY RECORD					DATE OF INVENTORY		
NAVCOMPT FORM 2215 (3 PT) (REV 3-72)							
S/N 0104-LF-706-5400							

| DEPARTMENT OR STOREROOM | | | | | SHEET NUMBER | OF | |

| ENTERED BY | | CHECKED BY | | | PRICED BY | | |

INDEX NUMBER	DESCRIPTION	UNIT OR SIZE	TOTAL QUANTITY	UNIT COST	EXTENSION	UNIT RETAIL PRICE	EXTENSION
	TOTAL						

PART 1

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