

D R A F T

SWFOM 710-2-2

DEPARTMENT OF THE ARMY
FORT WORTH DISTRICT CORPS OF ENGINEERS
819 TAYLOR STREET
FORT WORTH, TEXAS 77554

Office Memorandum
No. 710-2-2

XX XXX 2002

Inventory Management
MATERIAL AND REPAIR PARTS INVENTORY PROCEDURES

**DRAFT CURRENTLY BEING STAFFED AND
COORDINATED WITH DISTRICT OFFICES.**

ESTIMATED DATE OF PUBLICATION IS

1 MAY 2002

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MATERIAL AND REPAIR PARTS INVENTORY PROCEDURES

1. **PURPOSE.** To assign responsibilities and prescribe procedures for the inventory management of material and repair parts in the Fort Worth District.
2. **APPLICABILITY.** To all elements of the Fort Worth District that maintain material and spare parts.
3. **REFERENCES.**
 - a. AR 710-2, 31 Oct 97, Inventory Management Supply Policy Below the Wholesale Level.
 - b. ER 700-1-1, 2 Oct 00, USACE Supply Policies and Procedures.
 - c. ER 750-1-1, 30 Jan 97, Materiel Maintenance Policies
 - d. Memorandum, CELD-ZA, 27 Jul 98, subject: Management of Material and Repair Parts.
 - e. Memorandum, CELD-MS, 20 Oct 98, subject: Inventory Management Repair Parts.
 - f. Memorandum, CELD-ZA, 30 Jun 99, subject: Inventory Management Implementation Plan – Phase II.
4. **DEFINITIONS.**
 - a. Expendable property. Expendable property is property that is consumed in use, or that loses its identity in use. All repair parts and supplies are classified as expendable for property accounting purposes. These items range in cost from a fraction of a penny to thousands of dollars. There are two basic types of repair parts purchased by the Corps of Engineers that are classified as expendable property.
 - b. Shop stock. These are demand-supported repair parts and consumable items that are stocked and held in inventory for repair jobs at a support-level maintenance activity. These repair parts consist of mission critical parts, parts that require a long lead-time to obtain, and those items required to be on hand by safety, legal or environmental directives. There is no minimum or maximum value for these items. Shop stock is purchased and issued as a single unit, such as a fuel injector pump. Other items included in shop stock are culvert valves, certain hard to obtain circuit breakers, fuses, and transformers, and sandbags.
 - c. Bench stock. These are low cost, high consumption items used at an unpredictable rate for maintenance and upkeep. Bench stock includes but is not limited to, adhesives, common electrical supplies such as circuit breakers, capacitors, ballast and transformers, fan belts, filters, fuses, gaskets, common hardware like nuts, washers, bolts, and nails, hose, various pieces of lumber, oil, paint, packaged

repair kits, spark plugs, valves, welding rods, wire, etc. To determine if an item is bench stock, look at the cost of the item and the way it is issued. Bench stock is usually used a piece or a length at a time instead of the whole box or package unless it is a kit. If bolts were purchased 50 to a box, a whole box of bolts would not be issued for a repair job when only two bolts are needed. Each manager makes the final decision about what will be kept as bench stock and how much to stock.

5. RESPONSIBILITIES.

a. The District Commander will:

- (1) Appoint an Accountable Officer in the Logistics Management (LM) Office.
- (2) Approve the stock list and levels of shop stock held in inventory.
- (3) Review management reports with the Accountable Officer at least quarterly.

b. The Accountable Officer in LM will:

- (1) Be the point of contact for the Inventory Management Program.
- (2) Provide guidance for using the Corps of Engineers Financial Management System (CEFMS) Inventory Management Module.
- (3) Run the CEFMS Inventory Management reports and review them at least monthly to identify trends and excess stock.
- (4) Review the Inventory Management reports annually with the Commander.
- (5) Establish inventory procedures for the CEFMS shop stock and an annual inventory schedule.
- (6) Conduct inspections annually to review the program. These inspections will be documented, evaluated, and follow-up reports will be prepared in accordance with the Command Supply Discipline Program (CSDP).

c. Each Project Manager or Supervisor will:

- (1) Identify and dispose of excess stock and keep stock levels of repair parts and supplies to a minimum.
- (2) Use just-in-time (JIT) delivery methods to minimize stock held in inventory.
- (3) Ensure a Purchase Request and Commitment (PR&C) is created with the correct resource code and unit of measure, and all necessary approvals are obtained in CEFMS for the purchase of all repair parts and supplies.
- (4) Ensure shop stock items held in inventory are requested, approved, and issued in CEFMS using the inventory management module.
- (5) Approve the addition of new shop stock that will be held in inventory.

(6) Designate a warehouse manager to monitor and control shop stock items. Designate someone to monitor and control bench stock items. Both functions may be assigned to the same person.

d. Each Warehouse Manager will:

- (1) Receive the CEFMS permission - Warehouse Stock Record Authority.
- (2) Monitor the shop stock inventory program for his project.
- (3) Establish shop stock inventory resources in CEFMS.
- (4) Issue items from inventory to the end-user.
- (5) Complete the billing process in CEFMS after issuing an item from inventory.
- (6) Perform an annual inventory of all shop stock items on hand.

6. PROCEDURES.

a. Shop stock.

(1) Only those items that must be on hand to ensure mission success or to comply with safety, legal, or environmental requirements should be kept in inventory and only in the minimum quantity required. If an item can be obtained in time to prevent mission failure, it should not be stocked. Supplies that are purchased for a job that will be accomplished within a few weeks, such as constructing a new picnic shelter or replacing the fixtures in a restroom, ARE NOT considered shop stock and are not treated as such. A flow chart for determining when an item is shop stock is provided at Appendix A.

(2) Shop stock inventory will be managed in the inventory management module of CEFMS. Instructions for completing all the steps in CEFMS are included in the CEFMS Inventory Module Guidance located at <http://www.hq.usace.army.mil/celd/invpol.htm>. A work item in CEFMS identifies the individual warehouse by the name of the project and the funding. The warehouse work item serves as the operating account and is used to track warehouse expenses and income associated with the inventory.

(3) The shop stock inventory items are identified in CEFMS by a resource code. All shop stock resource codes are numerical and contain the Federal Supply Code for that type of item. The Accountable Officer in LM will create the resource codes. When a project needs to stock an item that is not already listed in CEFMS, the Project Manager/Supervisor will send the Accountable Officer a memo or e-mail with a description of the item as it should appear in CEFMS and its intended use. The Accountable Officer will determine the Federal Supply Code and create the new resource code for the item. Once the resource code is completed, the Accountable Officer will send the new code to the requesting office. The requesting office must then link the resource code to their warehouse work item code in CEFMS. These steps are necessary to ensure the item is property accounted for in CEFMS. If a repair part is needed that does not have to be stocked, then it does not have to have its own resource code or be entered into the CEFMS Inventory Management module. In a situation in which an item needs to be purchased for immediate consumption, the item should be purchased and used. If the manager/supervisor determines a spare should be kept in inventory, the above steps should be completed before the spare is purchased.

(4) After the resource code is created, and the item is linked to the warehouse work item, a contractual PR&C is created in CEFMS to purchase the item. The PR&C will contain the warehouse work item as the ordering work item, and the appropriate funded work item. Each manager/supervisor MUST ensure the correct inventory resource code established for the item being purchased is used on the

PR&C or the shop stock inventory must be manually adjusted, and a cost transfer processed. When the receiving is completed in CEFMS for the new item, the shop stock inventory will be automatically updated.

(5) When a shop stock item needs to be issued from the inventory for use, an in-house warehouse stock requisition is created in CEFMS. This type of PR&C is a request to the warehouse manager for the item to be issued. The PR&C will contain the requesting office's ordering and funding work items from which the item will be expensed, and it will be issued to the project that owns the warehouse work item. Once the requisition is approved, the Warehouse Manager reviews it in CEFMS, determines if the item is available, and then bills back the cost of the item to the requesting organization. The inventory in CEFMS will update automatically after the bill-back is complete. Each of these steps is shown in detail in the CEFMS guidance.

(6) There may be a time when an item should be deleted from the CEFMS database because it is no longer needed. This could be due to the equipment being replaced or excessed, or for other reasons. If this should occur, the Project Manager/Supervisor must notify the Accountable Officer by memo or e-mail with the reason for deletion, the resource code, description, and quantity of the item to be deleted. Deleting items from inventory requires a special permission that currently only the Accountable Officer will have. Finance and Accounting must then approve the transaction in CEFMS before it is complete.

(7) Shop stock inventory will be segregated from bench stock to easily distinguish one from the other. All employees should be aware of the accounting requirements for shop stock and the need to track each item. An annual inventory will be conducted of these items as established by the Accountable Officer. Repair parts and supplies that are purchased for immediate use, such as for replacing a roof, DO NOT have to be added to CEFMS. Items that are leftover from a repair job, e.g. partial packages of nails, shingles, caulking, etc., will then become bench stock, not shop stock.

(8) PR&Cs for shop stock will be randomly screened by the Accountable Officer to verify the appropriate stock criteria are being used and by the Property Book Officer to ensure the correct resource codes are used. The Accountable Officer will do a quarterly review of the Management Reports from CEFMS, annually with the Commander, to identify trends and excess stock. Inspections will be conducted annually.

b. Bench stock.

(1) Each manager/supervisor will designate someone to monitor and control bench stock. All bench stock requests should be processed through the designated person to prevent duplicate purchases. Each office will determine their own stock levels, but only a minimum amount of supplies should be kept on hand.

(2) Bench stock should be stored near the work area, but segregated from shop stock. Shop stock requires formal accounting procedures in CEFMS, and should not be used without notifying the warehouse manager.

(3) Each Project Manager or Supervisor will create a Standard Operating Procedure (SOP) for maintaining bench stock. Each SOP will specify when items will be reordered (as items are used, on a schedule, or a combination of both); where and how the items will be stored; and when the annual inventory will be conducted.

(4) An annual inventory will be conducted of all bench stock. A list of bench stock items will be maintained with the SOP and updated after the annual inventory. The stock list will contain at a minimum

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the item description, the inventoried amount, and the location of the item. The list will include the date of the last inventory, who conducted it, and the signature and date of the Project Manager/Supervisor.

(5) The Accountable Officer will review the SOP and the list during inspections.

FOR THE COMMANDER:

CAROL J. SHEAD
Publications Control Officer

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