

**THE CORPORATION OF THE CITY OF WINDSOR  
POLICY**

Service Area:	<b>Office of the CFO &amp; City Treasurer</b>	Policy No.:	<b>TBD</b>
Department:	<b>Financial Accounting</b>	Approval Date:	<b>December 2, 2019</b>
		Approved By:	<b>CR590/2019</b>
Subject:	<b>Inventory Control Policy</b>	Procedure Ref.:	<b>Various - Departmental</b>
Review Date:	<b>December 2024</b>	<i>Pages: 4</i>	Date: December 2, 2019
Prepared By:	A. Varsa - Finance		Replaces:

**1. POLICY**

- 1.1. The City will exercise due diligence to safeguard all inventory from waste, damage, theft, misappropriation and unauthorized use.
- 1.2. The City will make every effort to maintain optimal levels of inventory.

**2. PURPOSE**

- 2.1. To prevent, deter and detect inventory waste, damage, theft, misappropriation and unauthorized use.
- 2.2. To promote the safeguarding of inventory through; physical security, movement and tracking, inventory level monitoring and reconciliations.
- 2.3. To provide guidelines for the development of departmental inventory control procedures.
- 2.4. To emphasize segregation of duties and/or independent verification as a prime feature of departmental procedures for inventory control.

**3. SCOPE**

- 3.1. This policy applies to all City departments, agencies, boards, commissions and committees (ABCs) funded by the City, in whole or in part, or whose governing body contains City representation; and whose financial transactions are accounted for within the City's financial systems.
- 3.2. Exclusion from this policy are:
  - 3.2.1. ABCs that process financial information within their own administrative structure, in which case the ABC is responsible for their own inventory control.

**4. RESPONSIBILITY**

- 4.1. The **Chief Financial Officer (CFO) & City Treasurer**, or designate, is responsible to:
  - 4.1.1. Provide communication, training and on-going support on the use of this policy.
  - 4.1.2. Work with departments and ABCs as they develop procedures that facilitate compliance with this policy and make recommendations for improvement as necessary.
  - 4.1.3. Review and approve proposed additions/deletions of inventory items from the balance sheet.
  - 4.1.4. Direct the review of this policy, at a minimum, every five years and recommend update as required.

- 4.2. Departmental **Executive Directors and Heads of ABC's** are responsible to:
- 4.2.1. Communicate and distribute this policy to all employees responsible for ordering and/or safeguarding of inventory.
  - 4.2.2. Ensure departmental inventory control procedures are established and communicated to achieve compliance of this policy, and reviewed at a minimum annually.
- 4.3. The **Manager of Financial Accounting** is responsible to:
- 4.3.1. Ensure that departments complete appropriate balance sheet documents to support year-end audit.
  - 4.3.2. Investigate material inventory adjustments. (See 7.1.2)
    - Provide guidance and/or mitigating strategies in an effort to eliminate such occurrences.
    - In the event of suspected inventory misappropriation, liaise, as required, between Finance, the affected department and the City's internal auditor in compliance with the Fraud and Misuse of Assets Policy.
- 4.4. **Financial Planning Administrators** are responsible to:
- 4.4.1. Provide support for departments in the application of this policy and related departmental inventory procedures.
  - 4.4.2. Perform budget variance reporting as prescribed and cost of goods sold analysis where and when applicable.
  - 4.4.3. Provide support for departments with physical inventory counts and subsequent reporting as required.

## 5. **INVENTORY CATEGORIES**

- 5.1. **Consumables:** Items that are purchased repeatedly during the course of regular business. Typically these goods "get used up" and/or discarded. Examples of consumables include, but are not limited to; paint, salt, fuel, office supplies, drill bits, nuts/bolts/washers, replacement parts, cleaning supplies, light bulbs, air filters.
- 5.2. **Durables:** Items that yield utility over time rather than being completely consumed in one use and are typically characterized by longer periods between successive purchases. Examples of durables include, but are not limited to; drills, hammers, lawn mowers, chain-saws, shovels, generators, floor scrubbers, air compressors, sporting equipment, appliances, screwdrivers.
- 5.3. **Finished Goods:** Items/goods in which the manufacturing process is complete but the item has not been sold or put into use.
- 5.4. **Raw Materials:** Items that are used for the manufacturing of a finished product. Examples include, but are not limited to: vinyl, steel, aluminum, plywood, nuts/bolts/washers.
- 5.5. **Work in progress:** An unfinished product that is still being developed or added to. Examples include: green house products, partially completed signs.
- 5.6. **Scrap:** Items that are removed from service or leftover from a manufacturing process. Examples include, but are not limited to; decommissioned signs and other equipment, steel pieces from sign manufacturing.

## **6. GOVERNING RULES**

6.1. Departmental inventory control procedures will be established with due consideration to the inventory control guidelines within this policy.

6.1.1. Segregation of duties and/or independent verification will be a prime feature of departmental procedures for inventory control.

## **7. INVENTORY CONTROL GUIDELINES**

### ***7.1. Balance Sheet Inventory Requirements***

7.1.1. Criteria to consider including an inventory item on the balance sheet include but is not limited to:

- The item(s) is/are of substantial value individually or collectively.
- Durable items with a longer lifespan (e.g. greater than 1 year).
- High risk of theft (e.g. limited physical security, ease of access, alternative or home use, ease of transport, etc.).
- The addition, or removal, of items to or from the balance sheet is subject to CFO & City Treasurer review and approval.

7.1.2. Inventory items that are on the balance sheet and subject to audit must be in compliance with the following:

- A physical count, reconciled to the balance sheet, must be conducted at least once per year.
  - Shrinkage adjustments greater than 3% must be reported to the Manager of Financial Accounting.
- Maintenance of accurate and detailed records that support inventory balances.
- Inventory held should be secured within a restricted area where possible.

7.1.3. Consideration should be given to utilize the PeopleSoft Inventory Module where applicable.

7.1.4. Departments should review and select, from below, further inventory control best practices.

### ***7.2. All inventory (Cost/benefit analysis, employee and physical location resources should be considered for each inventory type)***

7.2.1. Segregation of duties should be a key component of inventory control.

- Where practical, no individual should have the responsibility for both the purchasing of inventory and;
  - a) Storage and handling activities.
  - b) Assigning inventory.
  - c) Monitoring the return of inventory to storage.
  - d) Periodic physical count and reconciliation of inventory levels.

7.2.2. Where segregation is not possible, additional management review and supervision must be considered to reduce the risk of loss or misuse.

7.2.3. Keep inventory in defined locations.

- a) Secure inventory in a restricted area where possible.
- b) Inventory should be located close to where it is needed or used most frequently.
- c) Within an inventory storeroom, organize inventory by category.

- d) Use labels for easy use and monitoring.
- 7.2.4. Perform physical counts and reconciliations of inventory on a periodic basis.
- 7.2.5. Perform periodic risk reviews to assess physical security to reduce the risk of loss, theft, abuse or damage.
- 7.2.6. Maintain accurate and detailed inventory records.
  - Records should include, but not be limited to: Make, model number, serial number, purchase date, purchase price, manufacturers warranty period (where applicable), usage history, repair history, current condition, etc.
- 7.2.7. Install and use security cameras.
- 7.2.8. Inventory should be stored in a location that should minimize loss due to damage. (i.e. ideal temperature/humidity levels)
- 7.2.9. Regularly monitor inventory quantities and track the movement of inventory.
- 7.2.10. Larger operations should consider using an automated inventory system. If implemented and used correctly, it may reduce tracking, counting and ordering time and provide reports to assist with usage and re-ordering.
- 7.2.11. Consideration should be given to an inventory replenishment method that best suits departmental needs. Examples include:
  - *Just in time ordering*: Overnight/fast delivery options for special job/odd items that are not regularly used and/or storage space is limited.
  - *Bulk ordering*: For items that are used regularly and adequate storage space is available.
  - *Supplier management solutions*: May be suitable when resources for ordering, tracking, monitoring, reporting and storage are limited. Generally, the supplier provides their own cabinet and maintains stock of regularly used consumables, which is paid for as they are used. Reporting on stock is provided and there is no need to place orders unless out of stock items are required.
- 7.3. Disposal of surplus/obsolete inventory is subject to the Purchasing By-Law.
- 7.4. Deliberate waste or damage of City inventory is subject to disciplinary action up to and including dismissal.
- 7.5. Theft, misappropriation and unauthorized use of City inventory is subject to disciplinary action up to and including dismissal.
  - 7.5.1. Techniques to recognise such actions may include, but are not limited to:
    - Periodic and unannounced physical inventory counts.
    - Comparison of costs against budget as well as known, or normal, turnover.
    - Periodic review of cost of goods sold.
    - Managerial review and sign off of reported “obsolete, damaged, defective” or otherwise “unusable” items.
    - Investigation of reported “lost” or otherwise “missing” inventory.
    - Regular managerial overview of shipping/receiving documents against received items.

## **8. REFERENCES AND RELATED DOCUMENTS**

### **8.1. Purchasing By-Law**