

# INVENTORY MANAGEMENT

## IMPLEMENTATION PLAN

### PHASE II

**PURPOSE:** Define strategy for implementing the CECG approved concept for managing all supplies and material regardless of cost held in inventory. The primary management tool is the CEFMS Inventory Management Module which will serve as the standard to gain control and accountability of all inventory assets.

**OBJECTIVE:** Ensure USACE-wide implementation NLT 30 Sep 99.

#### REFERENCES:

- a. ER 700- 1- 1, USACE Supply Policies and Procedures.
- b. ER 37-2-10, Chapter 13, Accounting and Reporting – Civil Works Activities.
- c. DOD 4 160.2 1 -M, Defense Utilization and Disposal Manual.
- d. Federal Property Management Regulations, Title 4 1, Chapter 10 1.
- e. TM 38-400, NAV SUP PUB 572, AFMAN 23-210, MCO 4450-14, DLAM 4145.12,
- f. Joint Service Manual for Storage and Materials Handling.

**CONCEPT:** The following summarizes the implementation concept for transitioning inventory items into CEFMS warehouse accounts.

a. During Phase II, all stocked items (supplies and material) regardless of dollar value will be placed in and managed by the appropriate CEFMS inventory module. This involves all items not destined for immediate consumption including items stocked in self service supply centers.

b. Commanders will validate stockage lists and ensure that stocked items common to more than one project within a district/center/field operating activity are entered into the Revolving Fund Inventory Module of CEFMS. Accountable officers will conduct spot checks of project sites to verify that inventory items have been captured and are managed in the correct module of CEFMS.

**c. The basic rule is that if an item can be obtained in time to prevent mission failure it should not be stocked. Only items that must be on hand to ensure mission success should be approved.** Just-in-time (JIT) delivery methods will be used to minimize stockage and associated costs. The rule is “buy it when you need it” and only in the minimum quantity required to prevent mission failure. While all stocked items will be in CEFMS, we do not want to stock pens, pencils and other supplies that can be readily obtained from other sources on a JIT

basis. Commanders will continuously review and evaluate stocked items and levels to minimize stockage.

d. USACE activities will determine and analyze current inventory items to scrub and dispose of any items that cannot be identified, are excess to current needs, have exceeded shelf life or are no longer usable.

e. Input to the CEFMS Inventory Management Module for revolving fund items those usable revolving fund-financed items (i.e., items financed by plant, shop/facility accounts, etc.) which are not currently carried in the accounting records at the current fair market value. Subsequently, these can be issued to multiple civil works or revolving fund customers.

f. Place (“found-on-works”) usable project-financed items which are not currently carried in the accounting records into the appropriate civil works project warehouse inventory at their current fair market value for subsequent issue to the appropriate project work item and/or feature/purpose.

g. In order to simplify the inventory classification process:

(1) Inventory items located in revolving fund warehouses, buildings, structures, etc., or on revolving fund floating plant will be classified as revolving fund-financed inventory items, unless there is documented evidence that the items were purchased with project funds.

(2) Inventory items not currently being carried in the accounting records as warehouse inventory, located at project sites, and/or stored in project owned/operated facilities will be classified as project financed inventory items. (That is, unless there is documented evidence that the items were purchased by the revolving fund and simply pre-placed at the project site for convenience.)

h. Once inventoried, screen supply-type items (nuts, bolts, lubricants, etc.) and spare parts (lock gates, generators, turbines, etc.) in the Civil Works project warehouses to identify items common to multiple projects. Evaluate these items to determine whether or not they should be stocked by the revolving fund as inventory in the future. If so, plan for a transition that would allow the existing project-owned stock to be depleted and replenishment stock acquired by the revolving fund.

i. Establish future inventory levels, economic order quantities, etc., for these items concurrently. If these cannot be established, determine whether the items should continue to be carried as inventory or reclassified as bench/cupboard stock. Set future inventory levels accordingly.

j. Management reports/queries found on web page <http://www.hq.usace.army.mil/celd/invrpts.htm> and <http://www.hq.usace.army.mil/celd/inv.htm> (at " Download SQL Scripts - Run report locally to see what is in inventory--Contact IM personnel to execute program") will be used to assess trends, identify costs, and provide total asset visibility. The Director of Logistics and the Major Subordinate Commands will identify USACE-wide items that are common to two or more districts/divisions/centers/field operating activities, and explore

alternative acquisition processes.

k. Inventory management performance indicators and criteria located on the web at <http://www.hq.usace.army.mil/celd/invperf.pdf> will also be used to evaluate the effectiveness of inventory management programs. This guidance is also included in the Consolidated Command Guidance (CCG) for FY00.

**METHODOLOGY:** Training tools for Divisions, the Research and Development Center, other Centers and FOAs to use in implementing this concept consisting of training modules for: CEFMS Inventory Management; Automated Data Conversion Process; Accounting Policy, are available on the HQUSACE CELD Web page <http://www.hq.usace.army.mil/celd/inv.htm>. Commanders will in turn, provide training to district and project personnel. HQUSACE will provide a “help desk” for assistance as required particularly for the data conversion process. As required, on-site assistance will be provided for specific problems.

#### **RESPONSIBILITIES:**

##### **Commanders:**

Commanders will personally approve stockage lists and levels. Hold stocks to the minimum. The basic rule is that if an item can be obtained in time to prevent mission failure, it should not be stocked. Only items that must be on hand to ensure mission success should be approved. Commanders will:

- Evaluate inventory and warehouse requirements.
- Conduct physical inventory of all on-hand supplies and materials.
- Establish physical location of stock in accordance with TM 38-400, NAV SUP PUB 572, AFMAN 23-210, MCO 4450-14, DLAM 4145.12, Joint Service Manual for Storage and Materials Handling. This manual supercedes DOD 4 145.19-R- 1, Storage and Materials Handling. However, proponent for DOD 4 145-R- 1 has been unable to rescind this regulation therefore, the DOD Publication Office continues to list regulation as active.
- Define area of functional responsibility.
- Appoint an accountable officer. The definition for an accountable officer is a person that has been assigned and obligated by lawful order or regulation to keep and accurate record of property, documents, or funds. Commanders will formally assign accountable officers the responsibility of property in his/her control (not necessarily in their possession). The accountable officer can further assign responsibility to someone else.
- Ensure that the accountable officer appoints ordering and receiving officials.
- Apply data conversion requirements for inventory assets.
- Record all items in project inventory management module unless otherwise identified as revolving fund.

- Provide trainers who will receive training from HQUSACE and provide training to others on CEFMS inventory management modules along with inventory and financial management procedures and policies.
- Assist with the implementation of the warehouse inventory program.
- Evaluate use of revolving fund for common items after all projects within a district are fully implemented.
- Evaluate policy for common items.
- Commanders will review management reports with their accountable officers at least quarterly.

#### **HQUSACE Actions:**

- Training material will be provided through the Internet.
- Will provide assistance in converting existing data into CEFMS Inventory Module and man help desk.
- Provide monthly progress updates to the Command Group.
- Develop after-action report to the Command Group.

#### **Field Activities' Actions:**

##### Initial Inventory Process:

- Districts/Projects sites conduct 100 percent inventory verification.
- Determine asset retention criteria. All supplies and materials held in stockage will be recorded in CEFMS' inventory module.
- Apply stockage/retention criteria to determine items that exceed mission requirements.
- Determine what items are obsolete and process for disposal.
- Identify excess stocks to cross-leveling process.
- Allow 60 days for other activities to request identified excess items. Requesting activity may be required to pay for the requested item.
- Excess items remaining after 120 days will be processed for disposal.
- Load Project unique items into CEFMS Project-fund Inventory Management Module. No reimbursement will be required to the project.
- Common items will be loaded in the Revolving-fund module. A special code will be used to retain identity of these items for later issue to the project as required without

necessity of reimbursement to the revolving fund. Issue to a different project may require reimbursement.

### **Routine Business Practice**

#### **Storage:**

- Districts/Projects use CEFMS Inventory Management Module for purchase and storage of all supplies and materials requiring storage.
- Apply stockage criteria prior to purchase to determine need.
- Common items defined as those items that can be used at more than one Project site will be procured using the Revolving fund module.
- District accountable officer will identify common items and disseminate to projects.
- PR&Cs for supplies and materials will be visible to the district accountable officer. They will verify appropriate stockage criteria, and use of Revolving vs Project fund modules.
- Project managers will be responsible for ensuring that common items are purchased through the revolving fund in coordination with the district accountable officer.
- Project unique items are purchased for storage by the project fund.
- Management reports will be reviewed periodically (at least monthly) by the accountable officer to identify trends and excess stockage. This is based on established stockage criteria
- Excess stocks will be identified to the cross-leveling process 120 days prior to processing for disposal.

#### **Consumption:**

- Items needed for immediate consumption will be procured using CEFMS.
- PR&Cs for supplies and material will be reviewed by the PBO to determine expendable vs. non-expendable.
- Just-in-time (JIT) delivery methods will be used to minimize stockage and associated costs. The rule is “buy it when you need it” and only in the minimum quantity required to prevent mission failure.
- Items available from current stocks will be issued from storage.
- If the stockage criteria are met, items will be entered into the CEFMS Inventory

Management Module (common items to the Revolving fund, and project unique items to the Project fund).

**Management Reports:**

- Management reports will be reviewed periodically (at least monthly) by the accountable officer to identify trends and excess stockage. This is based on established stockage criteria
- Excess stocks will be identified to the cross-leveling process 120 days prior to processing for disposal.
- Commanders will review management reports at least quarterly.