

MATERIALS MANAGEMENT AND SUPPLIES WAREHOUSING (REVISED 9/91)

3535

The Director of the Department of General Services has initiated a statewide program to establish effective standards and policies for all materials management functions including reduction of expendable goods inventories which are maintained in uneconomically large quantities.

This program is being administered by the Department of General Services, Office of Procurement, within the framework of the Statewide Materials Management System or the Purchasing Information Network (PIN). The program started in November 1977 and will continue until all major agencies and warehousing facilities are participating.

The Office of Procurement is responsible for establishing effective purchase methods for expendable items which provide a means to reduce the quantity and type of expendable items in State inventories. The Office of Procurement shall also recommend policies and procedures to reduce the State's expendable inventories investment, review agency materials management practices, recommend to agencies actions to achieve more effective materials management, and monitor and report on the progress of agency programs.

Agency owned expendable goods inventories will continue to be managed by the owning agency and not by the Department of General Services. Inventory control systems used throughout the State will be standardized whenever possible.

Basic statewide inventory management policy under which all agencies will operate is as follows:

Funds used for the purchase of expendable goods inventories must be clearly identified in the support documents which are prepared to justify agency's respective portion of the Governor's Budget. See SAM Section 6120. The information may be contained in the Schedule 2 (Line Item Budget) or Schedule 11 (Preparation of Supplementary Schedule of Operating Expenses). Other documentation may suffice, but funds used for the purchase of expendable goods must be clearly identified. This information will be made available to the Department of General Services, Office of Procurement, upon request by that entity.

The Department of General Services, Office of Procurement, is responsible for establishing purchasing, warehousing, inventory control, and distribution methods which will minimize the State's need for the maintenance of supplies, warehouses, and inventories.

The Department of General Services contracts with suppliers to deliver some materials directly to the point of use for State agencies. Other materials which require quality assurance testing or which, through volume purchasing, can be landed at one point and redistributed at a savings to the State, are purchased and redistributed by the Office of Procurement, Material Services.

The Office of Procurement, Material Services, is the central redistribution warehousing organization. Departments or agencies may maintain continuing inventories of supply items available from Material Services only at or near the point of use. Departments may not maintain redistribution warehouses to resupply point of use facilities unless authorized by the Department of General Services, Deputy Director, Office of Procurement.

State agencies must maintain unit stock records and conduct annual physical inventories if they operate warehouses which aggregately meet any one of the following criteria:

- Gross floor space exceeding 4,000 sq. ft.
- Average annual inventory investment in expendable goods exceeding \$50,000
- Annual issues of expendable goods exceeding \$100,000
- Expendable goods inventory consisting of 400 or more stock items

(Continued)

(Continued)

MATERIALS MANAGEMENT AND SUPPLIES WAREHOUSING (REVISED 9/91)

3535 (Cont. 1)

Expendable items will be maintained in continuing inventory only if they are:

- **Required for emergency needs involving public health, safety, or welfare**
- **Not readily available from supplier inventories**
- **Stable items with high demand and represent the low net cost purchase option**

Agency inventories and operating costs generated by the continuing maintenance of such inventories shall be no greater than is actually required or economically justified. Inventories will be subject to periodic audit by Department of General Services or other authorized audit units to assure that individual agency managers have regularly and effectively maintained such inventories at the lowest practical level.

Agencies shall, within the general framework of this policy, develop and publish internal policies and procedures which must contain at least the following:

- **Specific assignment of management responsibility for effective materials management at both agency-wide level and within each organizational unit that maintains continuing inventories of expendable goods.**
- **Policies and procedures governing the size and scope of continuing inventory investment, standards for utilization of storage space and review of materials management program effectiveness.**