

Category: Administration Policy

Policy Title: Corporate Inventory Management Policy
Policy Number: PW-001
Report Number: ALT2019-1441
Adopted by: Administrative Leadership Team
Effective Date: November 19, 2019
Last Amended: N/A
Policy Owner(s): Procurement and Warehousing Service

1. POLICY STATEMENT

- 1.1 All Corporate Inventory will be purchased according to the established procurement principles contained in the relevant City Procurement Policies under goods and services.
- 1.2 All items held in Corporate Inventory must be identified, catalogued, tracked, and managed using The City's inventory management system and recorded accurately in The City's financial system in accordance with Generally Accepted Accounting Principles (GAAP) for municipal governments.
- 1.3 All inventory processes and procedures must be followed to ensure the planning, management and disposition of Corporate Inventory meets the operational needs of services, safeguards against physical deterioration, theft, loss or mismanagement of Corporate Inventory, and that there are accurate records of quantities.
- 1.4 Corporate Inventory will be the first source of supply for items held in Corporate Inventory used by City of Calgary employees in performing their duties.
- 1.5 Corporate Inventory which is no longer required are to be disposed of or available for disposition to maximize return to The City of Calgary.
- 1.6 This policy is to be considered in its entirety and used in conjunction with the Corporate Inventory Management Policy Guideline Document.

2. PURPOSE

- 2.1. The purpose of this administration policy is to:
 - a. Provide roles, responsibilities and standards that City of Calgary employees must follow in the planning, management, and disposal of Corporate Inventory;
 - b. Ensure the appropriate amount of Corporate Inventory is on hand to optimize City-owned assets and support efficient and effective service delivery;

- c. Ensure City of Calgary inventory practices include the safeguarding of Corporate Inventory from physical deterioration, theft, loss or mismanagement; and
- d. Manage the financial risk of holding inventory including surplus, obsolete or redundant Corporate Inventory.

3. **DEFINITIONS**

3.1 In this administration policy:

- a. **“Bill of Material” (BOM)** means a comprehensive list of the raw items, assemblies, subassemblies, parts and components, as well as the quantities of each, needed to manufacture an asset;
- b. **“Capital Spares”** means a spare part purchased using Capital Funds (Fund 40) assigned to a capital project;
- c. **“Service User”** means City of Calgary employees or customers utilizing services provided by Procurement and Warehousing.
- d. **“Critical Item”** means an item which is essential for continued operations, is in short supply, has long lead time, is needed to manage risk or, is mandated legislatively;
- e. **“Corporate Inventory”** means the raw items, component parts, work-in-progress, or finished products that are held at a Procurement and Warehousing Service facility in the supply chain;
- f. **“Corporate Warehouse”** means a location managed by Procurement and Warehousing Service where Corporate Inventory is stored and maintained for future use, or a source from which supplies may be drawn;
- g. **“Inventory Disposition”** means the process used to remove an item from Corporate Inventory by returning to the vendor, transferring between services, selling to a third-party, or scrapped;
- h. **“Inventory Management”** means the process of ordering, handling, storing, and issuing of inventory; This includes the management of raw items, components, work in progress, and finished products as well as warehousing and processing such items;
- i. **“Inventory Planning”** means the process to determine the optimal quantity, timing and location of inventory to align with operational needs;
- j. **“Materials”** means items that are purchased or sold but whose quantity are not tracked in The City’s Corporate Inventory management system; and

- k. **“Replenishment”** means the process by which inventory items are re-ordered from a supplier to ensure that sufficient stock is kept in a warehouse to meet anticipated demand.

4. **APPLICABILITY**

4.1 This administration policy applies to all City of Calgary employees and customers utilizing services provided by Procurement and Warehousing. Corporate Inventory will be the first source of supply for items held in Corporate Inventory used by City of Calgary employees in performing their duties.

4.2 This administration policy does not apply to assets and materials not defined as Corporate Inventory.

5. **LEGISLATIVE AUTHORITY**

5.1 Corporate Inventory must be planned, managed and disposed of in accordance with Generally Accepted Accounting Principles (GAAP) for municipal governments, safety standards and shipping requirements in the Transportation of Dangerous Goods Act and Regulations, Occupational Health and Safety Act, and Environment Protection and Enhancement Act.

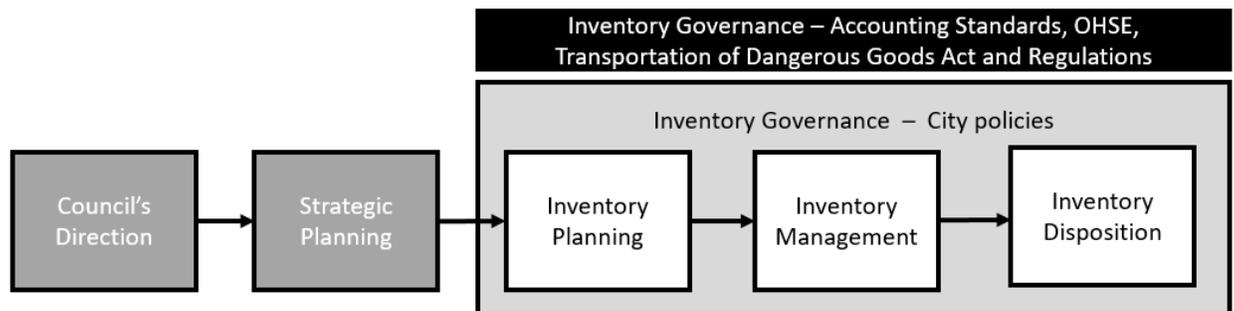


Figure 1- Inventory Governance Framework

6. **ROLES AND RESPONSIBILITIES**

6.1 **Inventory Planning**

6.1.1 *Service User is responsible and accountable for:*

- a. Planning for Corporate Inventory prior to purchasing an asset to ensure alignment with the life cycle of the asset and the established procurement principles contained in the relevant City Procurement Policies;
- b. Determining what Corporate Inventory items are required and when they should be available to meet their service level targets and operational needs;

- c. Providing inventory requirements for equipment and assets including, but not limited to, anticipated usage, expected life of asset, maintenance plans, warranty information, identification of Critical Items and Capital Spares; and providing a Bill of Materials (BOM) to support ordering replacement parts for assets to reduce service disruptions;
- d. Providing adequate space for storage of on-site Corporate Inventory;
- e. Identifying Critical Items at the earliest opportunity—ideally when Corporate Inventory is first ordered and/or set up in the Corporate Inventory management system; and
- f. Collaborating with Financial Support Service to ensure adequate budget is planned to support Inventory Lifecycle activities including the ongoing annual maintenance and anticipated disposition costs.

6.1.2 Procurement and Warehousing Service is responsible and accountable for:

- a. Determining, in collaboration with the Service User, when to inventory an item and when not to inventory an item; Approval of holding inventory requires agreement from both Procurement and Warehousing Service and the Service User;
- b. Utilizing and analyzing industry knowledge and best practices, and historical ordering and usage data to determine where and how much Corporate Inventory should be available to meet operational needs;
- c. Determining the Replenishment method;
- d. Planning and allocating appropriate equipment and storage space to meet inventory requirements; and
- e. Collaborating with the Service User, and suppliers to determine the appropriate packaging to safeguard inventory items.

6.2 Inventory Management

6.2.1 Service User is responsible and accountable for:

- a. Communicating changes in required service levels, assets, business requirements, or emerging issues to ensure Corporate Inventory continuously meets operational needs;
- b. Maintaining, updating and providing access to requirements identified in Section 6.1.1 (c);
- c. Identifying when Corporate Inventory items become Critical Items;
- d. Supporting the relationship with the supplier by complying with the relevant City Procurement Policies, Guideline Documents; and

- e. Safeguarding and storing items once they have been issued from the Corporate Inventory.

6.2.2 Financial Support Service is responsible and accountable for:

- a. Collaborating with Procurement and Warehousing Service to complete audit requirements ensuring Corporate Inventory is accurately valued, recorded and reported in accordance with Generally Accepted Accounting Principles (GAAP) for municipal governments.

6.2.3 Procurement and Warehousing Service is responsible and accountable for:

- a. Managing Corporate Inventory within the Corporate Inventory management system;
- b. Developing and maintaining processes and functions needed to ensure the efficient and effective management of Corporate Inventory;
- c. Accounting and financial reporting of Corporate Inventory;
- d. Safeguarding Corporate Inventory from physical deterioration, including possible theft, loss, or mismanagement;
- e. Tracking all Corporate Inventory until issued to the Service User;
- f. Informing Service Users in a timely manner of emerging issues and/or availability of Corporate Inventory;
- g. Collaborating with Service Users to address supplier performance issues and supply chain disruptions that impact Corporate Inventory levels;
- h. Physical inventory counts using industry best practices;
- i. Identifying, investigating and addressing all Corporate Inventory discrepancies and damages; and
- j. Ensuring Corporate Inventory items are appropriately located to support operational needs.

6.3 Inventory Disposition

6.3.1 Service User is responsible and accountable for:

- a. Considering the following when determining whether an inventory item should be disposed of or made available for disposition:
 - The item is obsolete or has reached the end of its useful life;
 - Surplus to operational needs;
 - Not fit for purpose; and/or
 - Does not meet legislative requirements;

- b. Identifying Corporate Inventory that can be disposed of or made available for disposition on an annual basis;
- c. Providing Procurement and Warehousing Service with written authorization to remove Corporate Inventory that has been identified for disposal or disposition;
- d. Providing written restrictions related to the disposal or disposition of any Corporate Inventory;
- e. The cost of disposition including the inventory item book value, handling, and disposal from Corporate Inventory; and
- f. Administer budget on an annual basis to complete planned inventory disposition activities.

6.3.2 Procurement and Warehousing Service is responsible and accountable for:

- a. Providing the Service User with a list of inventory items eligible for disposal or disposition on an annual basis;
- b. Disposing of inventory items in accordance with administration policy Disposal of Surplus Assets (FA-053);
- c. Coordinating the physical removal of items from Corporate Inventory;
- d. Reporting the summary of recovered funds and expenses from the sale of Corporate Inventory in accordance with Generally Accepted Accounting Principles (GAAP) for municipal governments; and
- e. Updating Corporate Inventory records to reflect the actual quantity on hand after disposal and ensuring Replenishment functions have been adjusted.

7. CONSEQUENCES OF NON-COMPLIANCE

7.1 The City will take corrective action in response to any breach of this policy.

7.2 Misconduct will be reviewed and may result in disciplinary action being taken against the employee, up to and including dismissal from employment, seeking restitution, commencement of civil action, criminal prosecution, instructing the employee to divest themselves of the outside interest, transferring the employee to another position or any combination thereof.

8. ASSOCIATED PROCEDURES AND STANDARDS

8.1 Corporate Inventory Management Policy Guideline Document

8.2 Procurement Policy

8.3 Procurement Guideline Document

9. **AMENDMENT(S)**

Date	Report Number	Description

10. **REVIEW(S)**

Date	Description