

	State of Indiana Indiana Department of Correction	Effective Date	Page 1 of	Number
		7/1/2022	11	04-01-107
<p>POLICY AND ADMINISTRATIVE PROCEDURE Manual of Policies and Procedures</p>				

<p>Title</p> <p>CONSUMABLE ASSET INVENTORY MANAGEMENT</p>
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Legal References (includes but is not limited to)	Related Policies/Procedures (includes but is not limited to)	Replaces:
IC 4-7-1-2 IC 4-13-1-13 IC 4-13-2-12.5 IC 11-8-2-5(a)(8) IC 11-8-2-5(a)(9)	00-02-101 00-04-102 04-01-301 04-01-101	04-01-107 (Eff.Date 1-1-2015 / ED # 14-57

I. PURPOSE:

This policy and administrative procedure establishes guidelines for the management of the Department's Consumable Asset Inventory.

II. POLICY STATEMENT:

The Department of Correction shall establish and maintain a perpetual inventory system in accordance with Indiana Code. The Department shall establish, maintain, and review accurate records to ensure the proper accounting of all inventory.

The Department shall work cooperatively with all other state agencies that have regulatory duties concerning the management of state inventories.

III. DEFINITIONS:

For the purpose of these procedures, the following definitions are presented:

- A. ACCOUNTANT 1: The individual responsible for the overall financial operations of their respective facility. If the facility does not employ an Accountant 1, the Regional finance Director shall assume Accountant 1 responsibility for the facility.
- B. AUDIT: A physical count of inventory to verify the accuracy of the perpetual Consumable Asset Inventory, the accuracy of the facility's Consumable Asset Inventory management documents, and the facility's compliance with this Policy and Administrative Procedure.
- C. CHIEF FINANCIAL OFFICER (CFO): The Executive of the Finance and

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Performance Division responsible for oversight of Department assets.

- D. **CONSUMABLE ASSET:** Any item purchased or obtained for the State's use with a monetary value of less than five hundred dollars (\$500.00), placed into storage, and has a determined shelf life.
- E. **CONSUMABLE ASSET INVENTORY MANAGEMENT POLICY AND ADMINISTRATIVE PROCEDURE:** Procedures approved by the CFO to track the receiving, storage, movement, and use of the Consumable Asset Inventory of the Department and shall be in compliance with the State Board of Accounts (SBOA) policies and procedures.
- F. **CONTROLLER:** The Finance Division position, designated by the CFO, who has responsibility for all accounting-related activities with the Department.
- G. **CYCLE COUNTING:** The practice of counting one-sixth (1/6) of the inventory on a monthly basis performed by the Department Head or designee. Inventory counts shall be drawn from the PeopleSoft Inventory Module.
- H. **DISCREPANCY:** A difference or inconsistency when verifying the physical Consumable Asset Inventory with the perpetual Consumable Asset Inventory.
- I. **INVENTORY:** The collection of assets assigned to or obtained by and agency or facility for State use.
- J. **PEOPLESOFT ASSET AND INVENTORY MANAGEMENT SYSTEM (AIMS):** A software program approved by the CFO to track the receiving, storage, movement, and use of the assets and inventory within the Department. This system is designated by the Indiana Auditor of State as the official Consumable Asset Inventory listing for the State.
- K. **PEOPLESOFT INVENTORY MODULE:** The specific section of AIMS that is used to make changes to items that are designated as consumable assets.
- L. **PERPETUAL INVENTORY:** The tracking of additions to and removals from inventory from an assigned location to maintain a current balance on hand and to update the PeopleSoft Inventory Module.
- M. **PHYSICAL INVENTORY:** The actual inventory on hand that has been counted.

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- N. **REGION PEER REVIEW / AUDIT TEAM:** A team of Department staff from Region facilities assigned randomly by the Regional Finance Directors to complete audits of facilities within a region in which members of the team are not stationed.
- O. **STORAGE LOCATIONS:** Any secured area used to store Consumable Asset Inventory with the combined value of two thousand dollars (\$2,000.00) or more. A perpetual inventory, within said location, shall be updated with the PeopleSoft Inventory Module.

IV. INVENTORY MANAGEMENT PROGRAM:

The Controller shall be responsible for creating and maintaining inventory records for the Department that are consistent with the guidelines established by the Auditor of State, State Board of Accounts, and this policy and administrative procedure.

V. UNDERLYING PRINCIPLES:

The Department's philosophy on inventory management shall be guided by the following four (4) principles; otherwise known by the acronym "CARE":

A. **CONTROL:**

Good inventory management is based on a system of checks and balances that maintains internal control. This system is best served using the following three principles.

1. **Segregation of Duties**

No one individual shall have absolute authority or control over the inventory management process.

2. **Facility Audit**

Internal control procedures are verified and checked to ensure that the principles and requirements of this policy and administrative procedure are achieved.

3. **Region Peer Review / Audit Team**

Policy and procedures are verified and checked by Region Peer Review / Audit Teams to ensure that the principles and requirements of this policy and administrative procedure are being completed properly.

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4. Procurement Matches Inventory and Usage

Records shall be maintained through PeopleSoft Inventory Module to insure that the dollar summation of the procurement documents match the dollar valuation stated on the usage and perpetual inventory records of the storage location. The Inventory Module should be a facility's first resource before manual requests are submitted.

B. Accountability

The responsibilities of each individual from the facility and Central Office involved in the inventory management process shall be defined and shall incorporate the principles below.

1. Uniformed Numbering System—Each facility shall identify consumable assets with a PeopleSoft item number. These items do not require tags.
2. Single Point of Receiving—Each facility shall identify a place where all consumable assets are accounted for before distribution.
3. Limited Access to Consumable Assets—Each facility shall identify staff responsible for ensuring that the integrity of the consumable inventory's physical and perpetual count is maintained. The identified staff has the authority to remove these consumable assets from the inventory or the storage location.

C. Reporting and Evaluation

Department Heads' results from physical counts shall be documented and statewide agency standards shall be followed, as established in this policy and administrative procedure. Administrative procedures shall be followed by all facilities in order for progress to be measured. Perpetual count records shall be maintained by the Department Heads and updated in PeopleSoft Inventory Module by the Accountant 1 or designee. Any discrepancies or deviations from established objectives shall be documented by the Department Head and reported to the facility's Accountant 1.

Accountant 1 shall forward the reported discrepancies or deviations to the facility's respective Regional Finance Director. The Regional Finance Director shall use their

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discretion to decide if the issue shall be reported to the Controller and Chief Financial Officer.

If applicable, refer to the consumable asset's OPERATING PROCEDURES for more information on reporting discrepancies.

All facilities shall use the STANDARD INVENTORY REPORT, as the template for the reports that are submitted to the Regional Finance Director, Controller, Chief Financial Officer, and the facility's Accountant 1.

VI. CONSUMABLE ASSETS:

Each facility shall implement this administrative procedure for maintaining a perpetual inventory for all consumable assets placed in storage. This perpetual inventory shall be maintained in PeopleSoft Inventory Module.

A. Receiving Consumable Assets

All consumable assets shall be received at a centralized location at each facility and verified against an authorized purchase order. The Accountant 1 or other assigned staff shall assign each consumable asset, in its respective measurement, with a PeopleSoft Item Number.

Item numbers shall be defined from an approved list issued by the Indiana Department of Administration from PeopleSoft Inventory and E-Procurement Module. All consumable assets placed in storage shall be marked with the following information:

1. Date received;
2. PeopleSoft Item number;
3. Storage location; and,
4. Purchase order number.

This information may be retrieved from PeopleSoft Inventory and E-Procurement Module with the item history when items are received at the centralized location.

B. Physical Inventory and Records

At a minimum each Department Head or designee within a facility shall complete a physical inventory count on a monthly basis, accounting for all the facility's consumable assets by means of cycle counting. Additional counts shall be taken, as necessary to facilitate accounting for the management and control of such consumable

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assets. All Consumable Asset Inventory count records shall be maintained as long as the consumable is in use and for ten (10) years following a State Board of Accounts audit. The results of such counts shall be:

1. Remain on site and used to reconcile, adjust and update the records of consumable assets as required by the Auditor of State.
2. Entered into PeopleSoft Inventory Module.
3. The minimum one-sixth (1/6) physical inventory counts on a monthly basis for each area shall be completed by the Department Head or designee. Each monthly count shall evaluate different inventory from the previous month to ensure that all inventory assigned to the Department has been verified twice annually.
4. The Accountant 1 or designee shall complete a monthly count of five percent (5%) of each assigned location for Consumable Asset Inventory. The monthly five percent (5%) count is in place to intentionally verify that the one-sixth (1/6) count by the Department head is being done correctly. Each monthly count shall evaluate different assets to avoid counting the same assets every month.
5. The audit conducted by the Region Peer Review / Audit Team shall consist of doing a random, ten percent (10%) minimum count of each assigned storage location.

C. Procedure for Taking Physical Inventory

A properly performed physical inventory shall include the following:

1. A review of the procedures and forms involved in Consumable Asset Inventory accounting.
2. A list of consumable assets shall be drawn from PeopleSoft Inventory Module and the Department Head or designee shall evaluate one-sixth (1/6) of their entire inventory and confirm that the consumable assets are accounted for. The Inventory Module shall then be updated to confirm that all consumable assets that were counted can still be accounted for on PeopleSoft Inventory Module.
3. The Accountant 1 or designee shall be responsible for the supervision of the physical inventory of all consumable assets at the facility by means of cycle counting and updating PeopleSoft Inventory Module.

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4. The Accountant 1 or designee shall be responsible for the facility audit of the perpetual inventory. The facility audits are to be conducted monthly by staff other than those staff who are regularly responsible for the perpetual inventory being reviewed (e.g., Custody Department staff shall not audit the Custody Department inventory).
5. Refer to the Indiana Department of Administration's (IDOA) State-Owned Surplus Property Procedure Instructions for obsolete, discontinued, and damaged consumable assets.
6. After receipt of an approved State Form 13812, "Notification of Surplus State-Owned Property," indicating the appropriate disposition and the obsolete, discontinued, and damaged item has been segregated from the count, these items shall be removed from PeopleSoft Inventory Module.

VII. OPERATING PROCEDURES

Consumable assets may have operating procedures that apply to a particular consumable asset. If applicable, operating procedures for the respective consumable assets must be followed.

VIII. CONSUMABLE ASSET DONATIONS

The Department may obtain consumable assets by donation. In cases where a facility is contacted regarding a donation, State Form 43280, "Request for Donation," shall be completed. This form may be completed by the individual making the donation or by the facility; however, the donor must sign the form. When completed, this form shall be submitted to the Facility Head and Regional Finance Director for final approval.

Items that are donated and have a combined value of \$500.00 or more must be approved by the Commissioner. For the purpose of this policy and administrative procedure, the Commissioner authorizes the Facility Head to receive donations of less than five hundred dollars (\$500.00) on behalf of the facility. For donations with a combined value of five hundred dollars (\$500.00) or more, or those donations involving real estate, the Commissioner must approve the request. In all cases, State Form 43280 shall be completed.

State Form 43280 also provides for a continuing authorization to obtain goods. This authorization is valid for up to one (1) year from the date of the original authorization. The facility shall indicate on the form whether the donation is continuing. The Facility Head or designee shall ensure that if consumables are donated, the donated items are added to PeopleSoft Inventory Module. All donated items shall be labeled, as indicated by section VI.A.

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and added to PeopleSoft Inventory Module as indicated in V.I.C. at fair market value or estimated value.

A. Storing Consumable Assets

Each facility shall establish and implement a facility directive for the storage of all consumable assets. The facility directive shall include the following:

1. Consumable assets shall be stored in accordance with all applicable Federal, State and local laws and the special needs of the particular item.
2. Storage locations shall be identified in a uniform manner as prescribed by the Controller or designee.
3. Storage locations shall be secured to protect the integrity of the consumable asset(s).
4. Storage locations shall be set up to ensure that all consumables are rotated on a first in - first out (FIFO) basis.

B. Inter-Unit Transfer of Consumable Assets

Any inter-unit transfer of a consumable asset between funds within the Department shall be accomplished by completing State Form 13812, "Notification Of Surplus State-Owned Property." This form shall be used when a consumable asset is transferred between facilities. Both the sending and receiving facilities shall retain a copy of this form. An "Express Issue" within PeopleSoft Inventory Module shall be completed by the sending agency. The receiving agency shall receive consumable assets by using State Form 13812, as documentation of receipt of consumable assets in addition to performing an "Express Putaway" upon receiving the transferred consumable asset within PeopleSoft Inventory Module.

A consumable asset may be transferred to a fund not under the management of the Department (i.e. another State agency). This type of inter-unit transfer shall be completed by using the State Form 13812. The receiving agency must submit a memorandum on letterhead stationery requesting the consumable asset(s) and the sending facility must prepare a memorandum agreeing to the transfer. Both memorandums and State Form 13812 are to be submitted to the CFO and respective Regional Finance Director. The inter-unit transfer shall not be made until approval is received from the State Surplus Division. When the inter-unit transfer has been made, the sending agency shall complete "Express Issue" within PeopleSoft Inventory

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Module. The receiving agency shall receive the consumable asset(s) by signing the completed State Form 39598, "Consumable Asset Inventory," as documentation of receipt of consumable asset(s). A consumable asset shall not be purchased from a specific fund with the intent to utilize it in any manner other than for the authorized spending purposes of the fund. Consumable assets shall not be purchased for immediate transfer or exchange for a consumable asset in other funds.

Property transfers may include transfers to other State agencies, Department Surplus Property Warehouse or to the State Surplus Property Warehouse. If the inter-unit transfer involves another State agency, the responsible staff shall refer to State-Owned Surplus Property Procedure Instructions. If the consumable assets are transferred to the State Surplus Property or Department Surplus Property Warehouse, the item shall be marked as usable and the transfer box checked. Next to the transfer box, the facility shall mark "To Warehouse" or "To Surplus." Once the consumable assets are approved and delivered to Surplus, all documentation shall be retained on site for future reference.

If more information is needed for Inter-Unit Transfers, staff shall refer to IDOA's State-Owned Surplus Property Procedure Instructions.

C. Issuing of Shipping Consumable Assets

Each facility shall establish and implement a facility directive for issuing/shipping all consumable assets. The facility directive shall include the following:

1. All issued consumable assets shall be recorded in the PeopleSoft Inventory Module once received at the centralized warehouse location and once it is delivered to its assigned storage location.
2. The storage location supervisor shall approve all returns to a storage location.

D. Adjustments to the Perpetual Inventory

The Accountant 1 shall ensure that all adjustments to the perpetual inventory are tracked in the PeopleSoft Inventory Module.

E. Replenishing Consumable Assets

The Accountant 1 shall be responsible for implementing procedures for replenishing all consumable assets in accordance with PeopleSoft Inventory Module. The

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replenishment process shall consider the prior usage history, on hand quantities, and outstanding purchase order quantities of the applicable consumable asset(s).

F. Perpetual Inventories Reconciliation

Each facility shall establish and implement procedures for the reconciliation of all perpetual inventories of consumable assets. These procedures shall include the following:

1. At a minimum, one sixth (1/6) of the Consumable Asset Inventory shall be counted and recorded on a monthly basis. All perpetual inventories shall be reconciled by means of cycle counting. Any problem or discrepancy with inventory counts may need to be reconciled more frequently. Facilities may undertake complete physical reconciliations.
2. All discrepancies shall be reconciled with notification to the Accountant 1, including an explanation of the discrepancies and any remedial action needed and/or taken. Accountant 1 shall forward reports to the Regional Finance Director when discrepancies occur.

IX. REGION PEER REVIEW / AUDIT TEAM:

The Region Peer Review / Audit Team shall conduct an audit, at least annually, of each facility's inventory to monitor and evaluate the implementation of this policy and administrative procedure. These audits are to ensure that all facilities are complying with this policy and procedure and are performing them correctly and efficiently. Below is a brief outline of what each facility shall expect when being audited by the Region Peer Review / Audit Team.

- A. Facilities shall receive notice of when the audit is to occur and facilities are expected to prepare necessary documents. Needed documents shall be specified by Regional Finance Directors (RFD).
- B. Region Peer Review / Audit Teams shall establish the walk-through schedule with the designated personnel that shall accompany the auditors with the walk-through.
- C. Region Peer Review / Audit Teams shall focus on different areas and evaluate various consumable assets to get an accurate representation of compliance.
- D. A percentage of compliance shall be calculated after the walk-through and discrepancies shall be addressed with staff.

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Once the audit has been completed, the Region Peer Review / Audit Teams shall submit their full report to the CFO, the Controller, the Regional Finance Director, and the Facility Head.

X. INVENTORY EVALUATION:

A. Accountant I Review

The Accountant 1 shall review, on a monthly basis, the analysis of the inventory to determine compliance with the standards set by the Controller. If a non-compliance issue arises, then the degree or extent of internal controls, the record system, and related procedures shall be reviewed to determine the cause for the non-compliance. Accountant 1 shall notify their respective Regional Finance Director of the non-compliance issue. Corrective action shall be taken to bring the system into compliance. The Accountant 1 shall advise the Facility Head and the Regional Finance Director, of the status of the compliance action.

B. Facility Audit

The Region Peer Review / Audit Team shall review the five percent (5%) Consumable Asset Inventory audit reports performed by Accountant 1 or designee as stated in section VI. B. to determine compliance with the standards set by the CFO. If a non-compliance issue arises, the Regional Finance Director or designee shall assist the facility to address the non-compliance issue.

C. Region Peer Review / Audit Teams Audit

Region Peer Review / Audit Teams shall conduct an audit, at least annually, of each facility's inventory to monitor and evaluate the implementation of these administrative procedures.

XI. APPLICABILITY:

This policy and administrative procedure is applicable to any consumable assets purchased with public funds, including the Inmate Recreation Fund, or donated to a State agency. This policy and administrative procedure applies to all staff members, divisions, and facilities within the Department.

signature on file
Robert E. Carter, Jr.
Commissioner

Date