

INVENTORY PROCEDURES FOR THE MANAGER / SUPERVISOR

The following procedures, recommendations, and steps should help reduce errors and discrepancies normally encountered when conducting inventories using AFMIS. Although you are not required to follow the steps below, applying them during an inventory process will assist you when tracking transactions, correcting errors, and ensuring you have clear audit trails. The Inventory Process can have a significant impact on your Account Status if conducted poorly.

As with all AFMIS procedures and processes, prior planning and organization is the “key” to successful input: accurate data entered into the system. Again, applying the recommendations below should significantly help reduce errors:

I. Pre-Inventory Planning:

A. Inventory Management

1. Conduct Inventories on NON-ISSUE days (Tuesday and/or Thursday): Recommended due to workload of ration personnel and the amount/number of transactions processed during M/W/F, i.e., Subsistence Management, Production Schedules, Kitchen Requisitions, etc...
2. If possible, have more than one person physically count the inventory – “Physical Counts”. (End-of-FY it is required by AR 30-22: One interested, one disinterested.)
3. Ensure personnel “**Physically**” count and record **ALL** items: even those NOT on the Count Sheet. Count Sheets will **ONLY** print items with a plus/minus (+/-) balance on hand. Items on the BOH with a zero balance will not print to the Count Sheet. Recommend recording (pencil in) items found in inventory, but not on the count sheet – enter in items during the Enter Counts process.
4. Ensure personnel count the “correct” item: match TIIN to item.
5. **DO NOT** allow personnel to print the BOH and/or conduct the inventory based on the BOH. (BOH Inventory with NO physical counts taken: matching the system.) – This may come back to “haunt” you later.
6. Ensure personnel **DO NOT** count/include Field Residual items. (Current ACES Policy IAW Flasher Message 01-01: Separate Inventory.)

7. Weekly Inventories CAN be conducted more than once a week and during anytime of the week – Monday through Sunday. The system does not prevent you from running a Weekly Inventory more than once a week. Depending upon how “intense” you wish to track your inventories, recommend processing a Weekly Sensitive and a Weekly All inventory once each week, i.e., Tuesday – Sensitive / Thursday – All).
8. If you are processing a Weekly Sensitive inventory once per week ONLY: Suggest conducting a Weekly (ALL Items) inventory during the last week of the accounting period and prior to the Monthly Inventory.
9. Periodically check the Earnings and Expenditure Record for possible errors concerning issues (processed receipts) and processed transactions.
10. Ensure Daily Batch Process is run daily – Monday through Friday. Check for transaction processes (receipts, transfers, etc.).
11. Once the Inventory Process is “Started”, complete the entire process if possible. Ensure the process is “Finalized” when counts and reconciliation is complete.
12. Ensure discrepancies are “Reconciled” prior to finalizing the inventory.
13. Inventories CANNOT be canceled after they are finalized.
14. Ensure Inventory Records are filed in Sequence Number Order.

Understanding the Current Account Status Function

The Current Account Status function is used by the Food Operations Sergeant (FOS) as a **“management”** tool throughout the accounting period to track, identify, and correct discrepancies. It is used during the Menu Planning process to evaluate his or her prior “Forecasting” (headcount) and “Menu Development” (diner acceptance) skills based upon current **“processed”** transactions: Headcount, Kitchen Requisitions. This function can also be utilized prior to, or after, an inventory process to identify discrepancies during data input (garbage in – garbage out). Changes (increasing / decreasing amounts) to the BOH (Current Inventory) will change (increase / decrease) the Actual Expense.

The Current Account Status should **NOT** be used to identify the “health” (over/under spent status) of a dining facility **DURING** the accounting period. Too many variables (pending transactions, inventory adjustments, headcount, MIF adjustments, etc...) are continually being posted to accurately make a determination. Once the Monthly Inventory has been finalized and the accounting period “closed out”, the Account Status Function will reflect the dining facilities “current” over/under spent status for the accounting period. (Financial Summary)

CURRENT ACCOUNT STATUS
(Processes that affect values)

1. Beginning Inventory – (Ending BOH value from prior Month)
Processes – NONE

2. Purchases (Issues) – (Transactions processed through TISA)
Processes – PV Receipts | DF to DF Transfers | TISA Turn-In
Report of Survey (ROS) | Statement of Charges (SOC)

3. TOTAL: (line 1 + line 2)

4. Current Inventory (Current Dining Facility BOH Value)
Processes – Transactions processed through TISA (above) **PRIOR** to an Inventory Process (**AFTER** an Inventory Process, the BOH WILL NOT update) | Kitchen Requisitions | Inventory Adjustments | MIF Changes (Price Changes / Unit of Issue Changes) | DF to Unit Transfer
Unit to DF Transfer

5. Actual Expenses (line 3 – line 4)
NOTE: This **VALUE** is the **DIFFERENCE** between: **TOTAL** and **CURRENT INVENTORY** (BOH Value). A **PLUS** Expense **ONLY** occurs when the Current Inventory value is **LOWER** than the Total (line 3) value. A **MINUS** Expense **ONLY** occurs when the Current Inventory is **HIGHER** than the Total (line 3) value. For example:

Plus (+) Expense:

3. TOTAL (Beginning Inventory + Purchases):	\$10,000.00
4. Current Inventory (BOH Value):	\$5,000.00
5. Actual Expenses (3 minus 4):	\$5,000.00 (plus)

Minus (-) Expense:

3. TOTAL (Beginning Inventory + Purchases):	\$10,000.00
4. Current Inventory (BOH Value):	\$15,000.00
5. Actual Expenses (3 minus 4):	- \$5,000.00 (minus)

6. Earnings (Headcount)

Processes – Headcount entered / imported and Headcount adjustments.

7. Current Status (line 5 – line 6)

NOTE: Current Status is based upon the difference between Actual Expenses: Beginning Inventory **plus** (+) Purchases **minus** (-) Current Inventory (Dollar Value of Total Available for Consumption) and Earnings: (Headcount)

As the FOS, you should understand that the Current Status (over/under spent) is only a “snapshot” of your account to-date. You must consider the many variables that affect the account status daily. You should also understand that the Current Status **DOES NOT** accurately reflect the “true” status of the dining facility until the account is closed at the end of the month.

B. Process Checks – TISA / FPM Processing

1. **Daily Batch Register Report**

- Verify processed transactions – PV Receipts, Transfers, and Inventory Adjustments (ROS/SOC)
- Note BOH updated and/or BOH not updated entries. (Does NOT have an impact on personnel counting and entering in counts.) Use as a reference when inventory discrepancies are noted.

2. **Price Update Report / Prime Vendor Catalog Review**

- Obtain a copy of the Price Update Report from TISA (if available). Identify items that have a dramatic change in price. Will impact the Current Inventory value and Actual Expenses when inventory adjustments are made. (Current Inventory value may differ from the Purchases value affecting the Actual Expenses.)
- Print the Prime Vendor Catalog (if needed). Identify items with a Unit of Issue (U/I) change. Will impact the Current Inventory value and Actual Expenses when inventory adjustments are made. (Current Inventory value may differ from the Purchases value until the adjustment is made to the items U/I quantity.)

3. **Food Program Manager (FPM) MIF Reconciliation Process**

- Identify the day the FPM runs the TISA/DFO MIF Reconciliation process: normally on Monday after the PV catalog has been downloaded and loaded into AFMIS by TISA. If your MIF is not up-to-date with TISA's MIF, there could be a significant difference between the values reflected on Purchases versus Current Inventory (Unit Price / Unit of Issue differences) causing Actual Expenses to either increase or decrease until the reconciliation process is run.

4. **Prime Vendor Receipts – Processed through TISA**

- Check Status of items (if needed) - R, RP, RS. "RS" Status is a "Receipt Sent". Items are posted to Purchases (before and after an inventory) and posted to Current Inventory (prior to an inventory).
- Ensure personnel count ALL items for the inventory process selected – Weekly (Sensitive or All) or Monthly regardless if the PV Receipt has been processed, or not processed.
 - ✓ If a receipt is processed **prior** to an Inventory, then the Purchases and Current Inventory area on the Account Status will increase in value.
 - ✓ If a receipt is processed **after** an Inventory, ONLY the Purchases area on the Account Status will increase in value.

5. **Report of Survey (ROS) / Statement of Charges (SOC)**

- Must have "Document Control Number" from responsible unit prior to processing: sending to TISA. TISA may verify prior to processing.
- Receive credit in a "timely" manner. Contact your FPM if not processed within 2 to 3 working days.
- Conducting Physical count of inventory:
 - ✓ Personnel should reduce the items balance during the inventory count: physically count item, i.e., if zero, then count quantity is zero and zero is entered in during the Enter Counts process.

- ✓ Once the inventory is finalized, items reduced from the BOH will decrease the Current Inventory value on the Account Status. (This will temporarily increase Actual Expenses until the transaction is processed by TISA.)
- ✓ When the transaction is processed by TISA (after the inventory), the ONLY value that will decrease on the Account Status is the Purchases value. (Actual Expenses will then decrease; remember, difference between Purchases (Total: line 3) and Current Inventory.)

6. Inventory Transfer Processes

- Dining Facility to Dining Facility Transfers
 - ✓ ALL subsistence transactions between dining facilities MUST be processed through the DF to DF transfer process. Dining Facilities are encouraged to discard the “buddy” system of borrowing: under this system, the issuing facility is the one who will lose.
 - ✓ Issuing / Receiving Facility: Personnel should reduce/increase the items balance during the inventory count: physically count items.
 - ✓ Once the inventory is finalized, items reduced/added to the BOH will decrease/increase the Current Inventory value on the Account Status. (This will temporarily increase/decrease Actual Expenses until the transaction is processed by TISA.)
 - ✓ When the transaction is processed by TISA (after the inventory), the ONLY value that will decrease/increase on the Account Status is the Purchases value. (Actual Expenses will then decrease/increase; remember, difference between Purchases (Total: line 3) and Current Inventory.)
- Turn-in to TISA Transfers
 - ✓ Used for “recalled” items.
 - ✓ Can be used (if directed by FPM and TISA) to return Operational Rations “CHARGED” to the dining facility garrison account.

- ✓ If Operational Rations are “charged” to the dining facility garrison account (Purchases), the dining facility will not receive Earnings (Headcount) to off-set Actual Expenses.
- ✓ A dining facility may receive Operational Rations **NOT** charged to their garrison account (Purchases did not increase). Conduct and process inventories as usual.

C. Process Checks – Dining Facility Processing

1. **Prime Vendor Receipts – Processed by the Dining Facility**

- Ensure receipts are processed correctly. Quantity and Substitutions are verified against the shipping document and quantities on the receipt screen are accurate.
- Ensure the user (personnel task with receipt handling) selects **“Write”** when completed with the receipt. Receipts must run through the “Batch” process before they are posted to your Account and BOH.

2. **Kitchen Requisition and Returns**

- Ensure Kitchen Requisitions for “completed” meals are entered.
- Ensure personnel **accurately** enter Issues and Returns.
- Check for “One Time” Issues and duplications.
- Check for Items pulled for production. Count as if still in inventory.
- When completed – Meal is “Closed-out” / BOH updated. (Can re-print.)
- Ensure “Residuals” (Field Issues) are NOT recorded.
- Ensure Operational Rations are NOT recorded – Use the DF to Unit transfer process.
- Meal Production Checklist: Initiated = Floor / Printed = File.
- Correct mistakes (entered data and closed-out) by: using the next Kitchen Requisition and a MFR.

3. **Transfer Processes (In-House)**

- Dining Facility to Unit Transfer
 - ✓ Used to transfer Operational Rations **NOT** charged to the dining facility garrison account but carried on their Current Inventory (BOH).

- ✓ Never use it for items “**CHARGED**” to the dining facility garrison account!! This will result in an “Expense” on your Account Status, and you will NOT receive an “Earnings” to off-set the Expense.
- Unit to Dining Facility
 - ✓ Not “**AUTHORIZED**” to use IAW ACES Flasher Message 01-01: USE OF OPERATIONAL RATIONS IN GARRISON. (It is however, an excellent TOOL that can help track and audit field residuals, but current policy prevents you from using this audit trail tool.)

4. **Sensitive Items Check – Percent Deviation - Disposition of Subsistence** / Prior Months Inventory Process Check

- Ensure prior months End-of-Month Inventory has been “Finalized” and the Account for that month is “closed-out”.
 - ✓ If your Account is “Closed-out” and the End-of-Month Inventory WAS NOT “Finalized” for that month, then the Beginning and Ending Inventory on the Disposition of Subsistence will be from the LAST finalized End-of-Month Inventory.
- Print or View the “Percent Deviation Report. Identify items outside the 9% tolerance range. Also, check items with an Asterisk or a ZERO percent deviation.
- View the Disposition of Subsistence on selected items. Note items adjusted during the inventory process. This report will post a “Memo” note on items that were increased or decreased on the BOH. ** Review Section 7, page 7-33 of the DFO End Users Manual for an explanation of Inventory Adjustments and how they factor into the Percent Deviation.
- Use this report to identify possible discrepancies, fraud, waste, abuse, and pilfering. If inventories were poorly conducted and managed, numbers adjusted without justification, item counts entered incorrectly during the prior month, then chances are the same or similar practices are happening in the current month.
- Dining Facilities that “stock pile” and items that are “Flagged” for deletion.

II. Inventory Processing:

A. Inventory Processing Steps

1. **Print the Count Sheet** – Will only print those items that have a PLUS or MINUS Balance on Hand quantity. Will NOT print items on the BOH with a zero balance.
2. **“Physically” COUNT** items in inventory.
 - Do not use the systems BOH inventory during this step!!
 - Record items NOT on the Count Sheet. Could indicate possible discrepancies. Will be needed during your research and reconciliation.
3. **Enter Counts** – Accuracy
 - Ensure NSN/TIIN entries match item counted.
 - Enter items NOT on count sheet but recorded during physical counts when prompted to add more items.
4. **Print Recount Sheets** – DO NOT Reconcile without FIRST researching “why” counts and BOH do not match.
 - Always print the recount sheets after entering in counts for the first time.
 - System will print recount sheets based on your initial entries. Only the items that do not match your counts verses the BOH will be listed.
5. **Research Discrepancies** – Items on Recount Sheet
 - Check Pre-Inventory measures.
 - Review processes that have an impact on the Current Inventory.
 - Check Records – Issue slips, PV Receipts, TISA Transactions, Inventory transactions, Prior Inventory Records, Production Schedules, Kitchen Requisitions: find out “why” there is a discrepancy.

6. **Enter Recounts** – After doing the Research: Reconcile.

- Entries made to “New Count” will be your new BOH when the inventory is “Finalized”.
- Remember - Increased and Decreased numbers on your BOH will have an affect on your Current Inventory value and Account Status.

7. **Finalize Inventory**

- Once Finalized, cannot be Canceled

III. Inventory Review

A. Final Report Review

1. Verify Report Entries

- Check BOH against Physical Counts
- Note obvious discrepancies, i.e. System = 50 and Physical count = 100.
- Research discrepancies and immediately correct.

B. Reconciling Final Reports – Implementing proper inventory procedures should help eliminate the following recommendations:

1. If there are numerous errors on the Final Report, you can reconcile them by:

- REMEMBER – Once an inventory is Finalized, it cannot be Canceled.
- Weekly Inventory Processes can be run more than once a week. Numerous errors on a Weekly Inventory can be corrected by running the process again. Ensure you attach a MFR explaining your actions.
- Monthly Inventory errors can be corrected on the next Weekly Inventory. Although this will “fix” mistakes, it does present problems, or possible questions, on your final Account Status (Financial Summary Report) and Disposition of Subsistence Reports.
- Using a Kitchen Requisition to “fix” errors during the inventory process is not the preferred way to correct discrepancies. Creates too many questions concerning Audit Trail.

2. Ensure you report ALL discrepancies, errors on Final Reports, and the corrections made by documenting them on a MFR.
 - Attach a copy to the record where the error was found and a copy to the record where the error was corrected.
3. Ensure you maintain “CLEAR” audit trails when correcting errors. There should be no question as to what was done.
4. If errors are related to “software” – how the systems works, and not caused by human error, then document them on DA Form 5005-R, ECP-S, and report them immediately through your FPM.
5. Proper Management, Supervision, and accurate data entry should illuminate most, if not all, inventory discrepancies.