

**DEPARTMENT OF PUBLIC SAFETY AND
CORRECTIONAL SERVICES
OFFICE OF PROPERTY MANAGEMENT
POLICY AND PROCEDURES**

Property Management Policy and Procedure 2.01
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TITLE: MATERIALS AND SUPPLIES

1.0 REFERENCES:

Department of General Services (DGS) Inventory Control Manual
Departmental Directive DPSCS.010.0006 Property Management

2.0 APPLICABLE TO

Employees of the Department of Public Safety and Correctional Services
(Department)

3.0 PURPOSE:

To establish uniform policies and standard procedures that will enable the Department of Public Safety and Correctional Services employees to effectively monitor and control materials and supplies in keeping with the DGS Inventory Control Manual.

4.0 DEFINITIONS:

The following terms have the meanings indicated when used in this procedure:

- 4.1 Agency** – A program, institution, facility or office of the Department.
- 4.2 Agency Head** – The highest management official in an agency who has responsibility and is accountable for property issues within their agency.
- 4.3 Commissioner** – Commissioner of Correction, Commissioner of Pretrial Detention and Services, or the Director of Patuxent Institution.
- 4.4 Custodian** – Employee charged with the responsibility of performing activities associated with maintaining a storeroom where materials and supplies are maintained and issued.
- 4.5 DGS Inventory Control Manual** – The Department of General Services document that prescribes standards for controlling inventories of materials

and supplies and provides direction and guidance for maintaining adequate controls over materials, supplies and fixed assets.

- 4.6 Financial Operations Manual** – Departmental policy and standard operating procedures that govern the operation of fiscal offices within the Department.
- 4.7 Immediate Issue** – Materials and supplies that are received for immediate use (to be consumed, expended or changed in form within a week) that are not to be stored or maintained as part of an agency’s perpetual inventory.
- 4.8 Inventory Clerk** – Employee charged with the responsibility of record keeping for perpetual inventories.
- 4.9 Inventory Management System (System)** – Software program authorized and provided by the Department to be used to track and control materials and supplies.
- 4.10 Materials and Supplies (goods)** – Commodities that are consumed, expended or changed in form by use, such as food, office supplies, raw materials, building and maintenance supplies, repair parts, items purchased for resale, storeroom supplies and other similar items needed to support routine operations.
- 4.11 MCCS** – The Maryland Commission on Correctional Standards.
- 4.12 MCE** – Maryland Correctional Enterprises.
- 4.13 Perpetual Inventory** – Materials and supplies which are maintained in a storeroom or other area for future use (or not for immediate use) that are being consumed and replenished on a continuing basis.
- 4.14 Receiver** – The employee assigned responsibility to prepare receipt documentation for materials and supplies received.
- 4.15 Reporting entity** – The agency or program within the Department that files a DGS 950-1 annual report.
- 4.16 Storeroom** – Warehouse, room, or other secured enclosure where materials and supplies are maintained and disbursed.

5.0 POLICY:

It is the policy of the Department of Public Safety and Correctional Services to ensure that materials and supplies are maintained in accordance with the requirements of the DGS Inventory Control Manual.

6.0 PROCEDURES:

6.1 General Requirements.

- 6.1.1 Perpetual inventory records shall be maintained where a reporting entity meets or exceeds the threshold requirements prescribed in the DGS Inventory Control Manual for controlling materials and supplies.
- 6.1.2 The requirement to maintain perpetual inventory records does not apply to contractors of the Department that are responsible for materials and supplies within the parameters of the contract with the Department.
- 6.1.3 An exemption from this policy must be submitted through the Office of the Secretary, Office of Property Management, and must be approved in writing by the Inventory Standards and Support Services Division of the Department of General Services.

6.2 DGS Thresholds and Department Requirements.

- 6.2.1 An agency shall maintain perpetual inventory records if:
 - 6.2.1.1 The average grand total of the last three inventory values of all of the categories in materials and supplies reported on the Form DGS-950-1 for an agency, institution or program is at least \$25,000.
 - 6.2.1.2 The averages for the last three years of annual expenditures in total object code 09 for an agency, institution or program exceeds \$250,000.
- 6.2.2 Where an agency of the Department meets or exceeds either of the threshold requirements noted above, the agency is required to maintain perpetual inventory records for all materials and supplies maintained on hand unless:
 - 6.2.2.1 The materials and supplies consistently maintained on hand consist of less than one case of commonly used items, or
 - 6.2.2.2 The materials and supplies on hand will be utilized within one week of receipt.
- 6.2.3 Where required, perpetual inventory records shall be maintained as documented in the DGS Inventory Manual. Generally, perpetual

inventory records shall be maintained for, but not limited to, the following categories of items:

- 6.2.3.1 Ammunition
- 6.2.3.2 Raw Food
- 6.2.3.3 Dietary Supplies
- 6.2.3.4 Inmate Clothing
- 6.2.3.5 Officer Clothing
- 6.2.3.6 Janitorial Supplies
- 6.2.3.7 Maintenance Supplies
- 6.2.3.8 Office Supplies
- 6.2.3.9 Bedding and Linens
- 6.2.3.10 Welfare Kits (except where private vendor exempt)
- 6.2.3.11 Commissary Items (except where private vendor exempt)
- 6.2.3.12 Raw Materials (MCE only)
- 6.2.3.13 Component Parts (MCE only)
- 6.2.3.14 Finished Goods (MCE only)
- 6.2.3.15 Work in Progress (MCE only)
- 6.2.3.16 Raw Materials (MCE only)
- 6.2.4 Perpetual inventory records shall contain, at a minimum, the following information:
 - 6.2.4.1 Item identification consisting of a description and State standardized commodity code
 - 6.2.4.2 Quantity received and Purchase Order or receiving document number
 - 6.2.4.3 Quantity withdrawn and approved request number
 - 6.2.4.4 Balance of inventory on hand

- 6.2.4.5 Adjustments to the on hand balance and approved adjustment number.
- 6.2.4.6 Unit of issue
- 6.2.4.7 Unit of issue cost
- 6.2.4.8 Vendor's name and purchase reference number, unit cost and order quantity
- 6.2.5 Where an automated inventory management system (System) is authorized and provided by the Department, the System shall be used to maintain records for perpetual inventories. However, the absence of availability of a System does not alleviate the requirement to maintain records.
- 6.2.6 Perpetual inventory records shall be posted and maintained on a timely basis.
- 6.2.7 Agencies shall establish and record ordering controls such as maximum stock levels and minimum reorder points on their perpetual inventory records.

6.3 Physical Inventory of Materials and Supplies.

- 6.3.1 Whether or not an agency is required to maintain perpetual inventory records, an agency shall take a physical inventory of all materials and supply items within the last ninety days of each fiscal year, preferably at the end of the fiscal year.
- 6.3.2 More frequent checks of high dollar usage items or sensitive items shall be made throughout the year for control purposes:
 - 6.3.2.1 A physical inventory of raw food supplies shall be taken monthly.
 - 6.3.2.2 A physical inventory of ammunition and other security supplies shall be taken monthly in accordance with MCCS standards.
- 6.3.3 Where perpetual inventory records are required to be maintained, materials and supplies shall be inventoried and reconciled a minimum of once per year and documented in accordance with standard operating procedures in Section 6.9 of these Procedures.

6.3.4 An agency or reporting entity may establish more stringent requirements for taking and reconciling inventory for purposes of internal control.

6.4 Segregation of Duties.

6.4.1 The inventory clerk who posts the perpetual inventory records may not have access to the physical inventory.

6.4.2 The custodian of the physical inventory may not have access to the perpetual inventory records.

6.4.3 The person receiving, recording or issuing the materials and supplies may not conduct the physical inventory of those materials and supplies.

6.5 Receiving.

6.5.1 All materials and supplies shall enter an institution through designated receiving areas.

6.5.2 An agency or facility shall ensure that there is a central location for receiving materials and supplies and that there are employees who are assigned to receive incoming merchandise as a primary or secondary responsibility.

6.5.3 Procurement staff shall provide the receiving staff with a copy of the Purchase Order, Credit Card Purchase or Blanket Purchase Order issued for goods to be received through a designated receiving area.

6.5.4 Where initial receipt is from a freight carrier responsible only for the number of shipping containers (or weight) specified in a bill of lading, verification of the bill of lading or delivery ticket shall include the following:

6.5.4.1 Receivers shall verify that the total number of shipping containers or the gross weight of the shipment agrees with the amount on the bill or delivery ticket and/or Purchase Order

6.5.4.2 Receivers shall inspect the outside of shipping containers or unpacked items for apparent shipping damage.

6.5.4.3 Any exception for weights, counts or apparent damage shall be brought to the attention of the person making the

delivery and shall be noted on the vendor's delivery document.

6.6 Receiving Report.

- 6.6.1 The receipt of good shall be documented on a Receiving Report.
- 6.6.2 Inspection of materials and supplies may be performed in the central receiving location or it may take place at the storeroom.
- 6.6.3 The receiver who prepares the Receiving Report shall provide a copy of the Receiving Report and the packing list or other appropriate documentation to Finance Office staff for all goods obtained by a Corporate Procurement Card, Purchase Order or other means.
- 6.6.4 The receiver shall ensure that the Inventory Clerk also receives a copy of the Receiving Report for goods that will be maintained in a storeroom so that the Inventory Clerk may update the perpetual inventory records.
- 6.6.5 Where the automated System has been implemented, a receiver shall use a manual (paper) receiving document for materials and supplies received for immediate use and only use the automated System to prepare the receiving report for materials and supplies received to be maintained in a storeroom as part of a perpetual inventory.
- 6.6.6 All documents covering receipt of materials or supplies shall be forwarded within two working days to appropriate agency personnel noted above.

6.7 Processing Withdrawals from a Storeroom.

- 6.7.1 Withdrawals of materials and supplies inventory from a storeroom shall be controlled by the following withdrawal request procedures.
- 6.7.2 Where the automated System has been implemented, authorized staff ordering materials and supplies from a storeroom shall use the automated System for all requests, including ammunition from an armory.
- 6.7.3 Where the automated System has not been implemented, an agency shall continue to use a multi-part, pre-printed requisition document ordered from MCE and shall follow DGS requirements to include:

- 6.7.3.1 An original to be retained by the inventory clerk for overall control of completed requisitions and updating records. (White Copy)
- 6.7.3.2 One copy to be retained by the requester (employee) for audit and receipt verification purposes. (Yellow copy)
- 6.7.3.3 One copy to be retained by the custodian for record verification. (Pink copy)
- 6.7.3.4 Optional requirement: A copy to be retained by the fiscal staff for audit and receipt verification purposes as needed. (Green copy).
- 6.7.4 Requests must be approved by an authorized supervisor or manager.
- 6.7.5 Approved requests shall be sequentially numbered for each agency or facility. Alterations to forms used are not permissible.
- 6.7.6 Where manual records are maintained, the numerical sequence of requisitions shall be monitored by the inventory clerk to account for all completed requests from the storeroom. Missing numbers shall be investigated by the inventory clerk and documented, documentation to include the date and signature of the inventory clerk and the inventory clerk's supervisor.
- 6.7.7 Prior to obtaining materials and supplies, requests shall be signed by the requester, the requester's supervisor or an agency designated manager and the storeroom custodian. In an emergency situation and on occasions when it is not be practical to obtain advance approval, an agency head or designee shall review and sign all completed, unapproved requisitions, after the fact, to verify that items withdrawn were properly accounted for.
- 6.7.8 Where manual records are maintained, the inventory clerk shall periodically compare the requisition copies used for posting the perpetual inventory records to the copy provided to the employee receiving the goods. This shall be accomplished by requiring the requester (employee receiving the goods) to forward the pink copy of the request form to the inventory clerk. The employee may keep a photocopy, as needed.
- 6.7.9 Where manual records are maintained, to assure that items and quantities on posted withdrawal requisitions have not been altered, the inventory clerk shall compare all copies (white, pink, yellow and, if used, green) of random samplings of completed withdrawal

tickets. (At least 5% shall be compared on a quarterly basis). The comparison shall be documented, documentation to include the date and signatures of the inventory clerk and the inventory clerk's supervisor.

6.7.10 Where manual records are maintained, copies shall be maintained for audit purposes. Completed requisition documents shall be retained for the period between legislative audits.

6.7.11 The automated System shall provide electronic storage of documents that meet the retention requirements in accordance with provisions outlined in this policy and procedure.

6.8 Storeroom Controls.

6.8.1 Access to warehouses and storerooms where materials and supplies are maintained shall be limited to authorized employees only.

6.8.2 Storerooms shall be locked during non-working hours and during working hours when unattended.

6.8.3 Keys to storerooms shall be restricted to personnel responsible for the areas.

6.8.4 Materials and supplies shall be stored in an orderly fashion to facilitate accurate commodity identification and counting. Storage racks shall be provided and locations on the racks shall be identified.

6.8.5 Storerooms shall be kept neat, safe and clean to protect inventories against losses from damage and deterioration.

6.9 Physical Inventory Procedures.

6.9.1 The area to be inventoried shall be closed to withdrawals and additions during inventory counts and recounts.

6.9.2 All supplies received during a physical inventory count shall be placed in a storage area separate from existing inventory and recorded after the physical inventory count or recount is completed.

6.9.3 When taking a physical inventory, physical inventory count sheets shall be prepared to include:

6.9.3.1 Item number or commodity number

6.9.3.2 Description

- 6.9.3.3 Location
- 6.9.3.4 Unit of issue
- 6.9.3.5 Each page shall be numbered and shall include a place for the initials of the counters.
- 6.9.4 A two person count team shall be established, which may not include the custodian or the inventory clerk, one person to count and one person to record the count on the count sheets.
- 6.9.5 When the physical inventory counts have been completed, the inventory count sheets shall be dated and signed on the first page and initialed on each page by each member of the count team and submitted to the inventory clerk for preparation of a variance report. The variance report shall be provided to the inventory supervisor.
- 6.9.6 Upon receipt of the variance report, if variances are noted, the inventory supervisor shall have a recount performed.
 - 6.9.6.1 Variances shall be independently recounted to verify the accuracy of the count.
 - 6.9.6.2 The recount verification count sheet shall be dated and signed on the first page and initialed on each page by the individual or individuals who completed the recount.
- 6.9.7 Upon completion of all verification recounts, the inventory clerk shall update the physical counts as required by the recounts and prepare a reconciliation report and an inventory report and forward both to the inventory supervisor.
- 6.9.8 On the reconciliation report forwarded to the inventory supervisor, when the variance for any item is material, the inventory supervisor, or designee, shall investigate the differences.
- 6.9.9 Upon completion of the investigation, the inventory supervisor shall forward the inventory report and the reconciliation report that includes an explanation of the results of the investigation regarding variances, to designated management personnel for review and approval of adjustments by the agency head, or designee.
- 6.9.10 The agency head or designee shall review and approve or deny the required adjustments to the perpetual inventory record balance and certify that the inventory was completed.

- 6.9.11 Where manual records are maintained, after the approval of adjustments by the agency head or designee, but not later than 30 calendar days after completion of the physical inventory counts, the inventory clerk shall post the approved adjustment to the perpetual inventory record balance for each item.
- 6.9.12 The following original, signed documentation shall be maintained to document the completion of the physical inventory of materials and supplies and posting of required adjustments to the perpetual inventory records:
- 6.9.12.1 The physical inventory count sheets,
 - 6.9.12.2 The recount sheets,
 - 6.9.12.3 The approved reconciliation report including the explanation of the results of the investigation regarding variances or the electronically stored report in the automated System.
 - 6.9.12.4 An Inventory Report certified as completed by the agency head or designee.
- 6.9.13 At the end of each fiscal year, reporting entities shall submit an Annual Report of State Property, Materials and Supplies (DGS-950-1) with required supporting documentation to the Office of the Secretary – Office of Property Management by September 1.
- 6.9.13.1 A copy of this form shall also be submitted to the Office of the Secretary, Director of Accounting Operations for inclusion with the agency's year-end closing package.
 - 6.9.13.2 DGS-950-1 is available on the DGS website at www.dgs.maryland.gov.

6.10 Disposal of Materials and Supplies.

- 6.10.1 Disposal of obsolete and excess materials and supplies shall be documented and signed by the agency head or designee.
- 6.10.2 Disposal records shall be maintained on file by the storeroom custodian and the inventory clerk for audit purposes or electronically stored in the automated System.
- 6.10.3 Storeroom staff or inventory supervisory staff shall conduct an annual review to evaluate obsolete and excessive materials and

supplies, maximum and minimum quantities, reorder points and reorder quantities.

6.11 State Policy

- 6.11.1 The preferential sale or gratuitous disposition of materials and supplies to a State official or employee is prohibited in accordance with Board of Public Works policy.
- 6.11.2 State Ethics Commission Opinion Number 24 prohibits State officials and employees from purchasing surplus personal State property if their official duties are directly connected with the disposal process.

7.0 RESPONSIBILITIES:

7.1 It is the responsibility of a Commissioner to:

- 7.1.1 Oversee overall perpetual inventory operations for agencies under their jurisdiction.
- 7.1.2 Assure that proper forms and documentation are completed accurately and efficiently.
- 7.1.3 Understand and adhere to the DGS Inventory Control Manual, this policy and procedure and legislative audit findings.
- 7.1.4 Assure that all staff understand and adhere to the DGS Inventory Control Manual, this policy and procedure and legislative audit findings.

7.2 It is the responsibility of an Agency Head to:

- 7.2.1 Manage overall perpetual inventories operations for their facility or program.
- 7.2.2 Assure that proper forms and documentation are completed accurately and efficiently.
- 7.2.3 Understand and adhere to the DGS Inventory Control Manual, this policy and procedure and legislative audit findings.
- 7.2.4 Assure that all staff understand and adhere to the DGS Inventory Control Manual, this policy and procedure and legislative audit findings.

- 7.2.5 Determine and authorize the individuals who may access the automated System and who have responsibility in a supervisory or approving capacity with regard to inventory management.
- 7.2.6 Approve the disposal of obsolete and excess materials and supplies.
- 7.2.7 Act as the final approving authority for materials and supplies adjustments.

7.3 It is the responsibility of the Fiscal Services Chief in each Region to:

- 7.3.1 Assure that perpetual inventories are posted at least weekly for all storerooms in the region and provide back-up coverage in the absence of the Inventory Clerk.
- 7.3.2 Assure that inventory clerks and Custodians are provided with Purchase Orders/Corporate Purchase Card Authorizations and/or invoices for purchased supplies and materials.
- 7.3.3 Supervise the inventory clerks.
- 7.3.4 Assure that the perpetual inventories are reconciled annually.
- 7.3.5 Assure that inventory variances are verified, signed and dated.
- 7.3.6 Assure the completion of DGS 950-1 Form by September 1 and forward to the Office of the Secretary – Property Services.
- 7.3.7 Understand and adhere to the DGS Inventory Control Manual, this policy and procedure and legislative audit findings.
- 7.3.8 Assure that all appropriate staff understand and adhere to the DGS Inventory Control Manual, this policy and procedure and legislative audit findings.

7.4 It is the responsibility of an Inventory Supervisor to:

- 7.4.1 Oversee the daily operation of material and supplies storerooms as assigned.
- 7.4.2 Schedule cycle and annual inventories and assign Count Teams.
- 7.4.3 Investigate and explain variances for the agency head to determine whether to approve an adjustment to the inventory.

7.4.4 Assure that appropriate staff understand and adhere to this policy and procedure and other manuals, referenced in section 1.0 of this policy and procedure.

7.5 It is the responsibility of a Receiver to:

7.5.1 Verify and inspect goods received.

7.5.2 Prepare a Received Report in accordance with Section 6.6.5 of this policy and procedure.

7.5.3 Forward all documents covering receipt of materials to appropriate agency personnel within two working days.

7.5.4 Understand and adhere to this policy and procedure and other manuals, etc. referenced in section 1.0 of this policy and procedure.

7.6 It is the responsibility of the a storeroom Custodian to:

7.6.1 Maintain materials and supplies under their responsibility in keeping with this policy and procedure and other manuals referenced in section 1.0 of this policy and procedure.

7.6.2 Assure that inventories are appropriate and adequate.

7.6.3 Complete requisitions for the re-order of materials and supplies as needed for the storeroom in accordance with established agency procedures.

7.6.4 Maintain adequate controls over materials and supplies.

7.6.5 Fill and pull approved requests for withdrawal of goods.

7.6.6 Report discrepancies in inventory to supervisor.

7.6.7 Maintain storeroom controls in accordance with Section 6.8 of this policy and procedure.

7.6.8 Understand and adhere to this policy and procedure and other manuals, etc. referenced in section 1.0 of this policy and procedure.

7.7 It is the responsibility of an Inventory Clerk to:

7.7.1 Maintain perpetual inventory records in keeping with this policy and procedure.

- 7.7.2 Record materials and supplies as noted on requisitions, receiving reports, and other approved documentation provided.
- 7.7.3 Record adjustments as approved by the agency head or designee. Assure that adjustments are approved by the agency head or designee with appropriate signatures and dates. Maintain documentation for audit purposes as required.
- 7.7.4 As applicable, investigate missing requisition numbers. Assure that investigations are signed and dated by the appropriate supervisor. Maintain documentation for audit purposes.
- 7.7.5 Understand and adhere to the DGS Inventory Control Manual, this policy and procedure and legislative audit findings.

8.0 EFFECTIVE DATE:

The effective date of this Policy and Procedure 1.08-1.0 is Sept. 1, 2009.