DEPARTMENT OF CORRECTIONS

Policy Number:	**403.100**
Title:	**MINNCOR Inventory Control**
Effective Date:	**10/16/18**

PURPOSE: To provide procedures to ensure inventory is accurately accounted for and evaluated.

APPLICABILITY: Minnesota Corrections Industries Program (MINNCOR)

DEFINITIONS:

Cycle count – cyclical (weekly, biweekly, monthly, etc.) physical count of a limited number of inventory items to ensure accuracy of recorded inventory.

Finished goods – inventory of completed goods awaiting sale.

Inventory – asset items held for sale in the ordinary course of business or goods used or consumed in the production of saleable goods.

Manufactured parts – inventory of internally-produced parts used as inputs to the production process.

Purchased parts – inventory materials purchased fully processed used as inputs to the production process.

Raw materials – inventory materials used as inputs to the production process.

Work-in-process – inventory that has been pulled, staged, or consumed for production that is in process and not listed as ended in the enterprise resource planning (ERP) system.

PROCEDURES:

A. MINNCOR staff must, accurately and in a timely manner, record all inventories purchased, received, manufactured, sold, returned and transferred. All inventory transactions are stored in the ERP system and retained in accordance with retention schedules.

B. When inventory items are purchased, staff must record the item received, the proper facility, and warehouse the item is being received to, the correct unit of measurement and quantity listed, and the verification by the receiver documented in the ERP system.

C. Staff must receive inventory product into the ERP system within 48 hours of delivery.

D. Site staff must identify and mark inventory materials with MINNCOR's inventory number and description when in storage.

E. Site staff must submit material requisitions and material transfers with correct inventory numbers, units of measure, materials costs, quantities, and location when moving inventory into and out of storage or into a new location.

F. Site staff receive inventory items and record receipts using MINNCOR's electronic document system

G. If inventory adjustments are needed, facility staff submit an inventory adjustment request in the electronic data management system. The inventory control staff must review the request prior to making the adjustment in the ERP system.

H. Prior to shipping finished goods to the customer, the site shipping department verifies availability using the ERP system. Sales orders can be released for shipment prior to the completion of production for such item, or the availability of the inventory in the ERP system. The on-hand quantity must be equal to or greater than the quantity being shipped.

I. Site staff must perform a minimum of two cycle counts per month in each business unit to ensure accuracy of the actual inventory on hand compared to the quantities recorded in the ERP system.

1. Discrepancies between the actual amounts and recorded amounts must be recorded and adjusted in the ERP system to match the actual on-hand quantities. The individual making adjustments records and maintains reports of adjustments.

2. Results of cycle counts are documented within the ERP system counting journals.

3. Large discrepancies are investigated and corrective action taken to ensure the same problem does not reoccur. A discrepancy over $1,000 for a single inventory item is reviewed by the industry director and signed off on, and the explanation of the difference is documented. The discrepancy report must also be signed by the materials manager who retains them according to retention schedules.

J. Finance and site staff conduct a complete physical count of all inventories at each facility toward the end of each fiscal year. All counts are completed by close of the business day June 30th.

1. Inventory additions and deletions are submitted to central office on current inventory forms. Inventory additions and deletions must be completed by count teams.

2. New inventory numbers must be requested using the new inventory number request in MINNCOR's electronic management system. The form must include the requested inventory number, a description, the unit of measure, and the cost.

3. When changes are submitted, the inventory numbers and description must be referenced along with the information to be changed.

4. Finance, sales, marketing, and site staff must annually complete the review of inventory lists for validity.

K. Inventory that has not moved or turned for a period of four years is written to zero cost on the books. Inventory that has not moved or turned for five years may be scrapped and considered surplus product. Surplus product may be disposed of and/or sold to the general public as per Policy 400.020, "MINNCOR Product Sales to State Employees and the General Public."

INTERNAL CONTROLS:

A. All inventory transactions are stored in the ERP system and retained in accordance with retention schedules.

B. Discrepancy reports and documents are retained by the materials manager in accordance with retention schedules.

ACA STANDARDS: 2-CI-6E-7, 2-CI-6E-8

REFERENCES: Minn. Stat. § 241.27
Policy 400.020, "MINNCOR Product Sales to State Employees and the General Public"
Policy 403.020, "MINNCOR Purchasing"
Policy 403.070, "MINNCOR Accounts Payable"
Policy 403.060, "MINNCOR Accounts Receivable and Deposits"
Policy 405.020, "MINNCOR Product Pricing"

REPLACES: Division Directive 403.100, "MINNCOR Inventory Control," 8/5/14.
All facility policies, memos, or other communications whether verbal, written, or transmitted by electronic means regarding this topic.

ATTACHMENTS: None

APPROVALS:
Deputy Commissioner, Facility Services
Deputy Commissioner, Community Services
Assistant Commissioner, Facility Services
Assistant Commissioner, Operations Support