MEMORANDUM

TO: Adult Corrections/Central Supply Warehouse

FROM: James J. Cherokee, Controller

RE: Physical Inventory Procedures for the Fiscal Year Ending June 30, 2018

This memorandum provides instructions for conducting the physical inventory counts for the various types of inventory including:

1. Items maintained on the North Carolina Accounting System (NCAS);
2. Canteen merchandise; and
3. Materials and supplies not maintained on NCAS.

Please read and follow the instructions that pertain to the type of inventory you have and skip over the sections that do not apply.

Excel Inventory Reports (Non-NCAS Inventory)

As in previous years, formatted excel reports will be made available some time after the middle of June for reporting and submitting supply inventory (inventory that is not maintained in NCAS). All Facilities/Sections are expected to use the excel reports supplied by the Controller’s Office when preparing and submitting the fiscal yearend inventory.

Once the excel inventory reports are ready, we will email the worksheets, along with instructions for using the excel reports. In addition, the inventory worksheets and instructions will also be posted to the main DPS Home Page, Employee Resources Tab, Forms – DPS, Fiscal Section.

https://www2.ncdps.gov/Index2.cfm?a=000002,002675
If for some reason you are unable to use the excel inventory reports provided, please contact our office and we will be glad to work with you so that you are able to prepare an acceptable inventory report for June 30, 2018.

I. **GENERAL**

A. **Purpose.**

The purpose of the physical inventory is to determine the value of all materials and supplies on hand at each Facility/Section at the end of the fiscal year. Because inventory values for the various divisions of the Department are significant and a material element in our financial statements, it is extremely important that there be integrity in the inventory process and accuracy in recording and preparing the required inventory reports. We need and appreciate your cooperation in providing timely and accurate inventory reports!

B. **Inventory Types.**

1. **NCAS Inventory (Cycle Counts)**

   A complete and thorough inventory of materials accounted for through the North Carolina Accounting System (NCAS) shall be accomplished by taking the required fiscal year-end Cycle Count in June. *All June cycle counts must be completed and closed out by the end of the day on Friday, June 29, 2018.* This type of inventory includes items stocked in the Food, Clothes and Ammunition Warehouses (i.e. Dry/Canned Provisions, Meat, Bedding, Officer and Inmate Clothing and Ammunition).

   NOTE: Please be advised that for June 2018, there are restrictions as to when facilities can take cycle counts in June. June cycle counts must be taken and closed out by June 4, 2018, or taken after June 18, 2018 and closed out by Friday, June 29, 2018 close of business. See memorandum from Gary T. Dudley, Warehouse Manager, dated May 2, 2018 attached.

   Please follow the instructions in this memorandum for taking the Cycle Counts and signing and returning inventory reports to the Controller’s Office.

2. **Canteen Merchandise**

   All canteen merchandise shall be counted in the fiscal year-end inventory process. Each canteen shall follow normal canteen procedures for taking
an inventory. The inventory results shall be reported, signed by the Facility Head or designee, and sent to the Controller’s Office – Welfare Accounting via the June Canteen Reports. Please note that the canteen inventory counts for the fiscal year-end must be taken on Friday, June 29, 2018 (the last business day of June), not the first business day of July.

3. Non-NCAS Items (Office and Janitorial Supplies, Fuel Oils, etc.)

All office supplies, janitorial supplies, fuel oils and other expendables purchased by the General Fund shall be counted in the fiscal year-end inventory. Please follow the instructions in this memorandum for taking this type of inventory and sending your inventory reports to the Controller’s Office.

C. Due Date

All inventories shall be accurate and current as of June 30, 2018. If inventories are conducted earlier than June 30, 2018, they must be updated to reflect all items used, and all items received after the date the physical inventory was taken through June 30, 2018, which is a Saturday this year.

*All Inventory Reports must be completed and sent to the Controller’s Office by Monday, July 16, 2018.*

II. NCAS INVENTORY (CYCLE COUNTS)

- Items to be inventoried include items stocked in the warehouses (i.e. Dry/Canned Provisions, Meat, Bedding, Officer and Inmate Clothing, Ammunition and all other items in NCAS).

- Each Facility/Section that maintains inventory in NCAS shall follow normal procedures relating to Cycle Counts, with the exception of acceptable days for taking cycle counts in June 2018 (see Gary T. Dudley, Warehouse Manager’s memorandum dated May 2, 2018). The fiscal year-end Cycle Count must be taken and closed during the month of June 2018.

- *Please make sure that all previously opened Cycle Counts have been closed and are in a Status 6 BEFORE requesting and taking the June Cycle Count, or the June Cycle Count will not be accurate.*

- By Friday, June 29, 2018, all Cycle Counts must be in a closed status (6). Any receipts and issues that occur after the Cycle Count, up through the close of
business on Friday, June 29, 2018, must be entered into NCAS by the close of business on that Friday.

- On Monday, July 2, 2018, (the first day the system is available after June 30th), each Facility/Section shall print the OSCOPC IN285-4 INV VALUE CENTER EXPORTER report for the last date posted in June, which should be Friday, June 29, 2018.

Note: By the time the Exporter Report is printed, there may be other reports available in Exporter. Please make sure to print the last available day in June 2018.

- The IN285-4 report shall be signed and dated by the Facility/Section Head or designee attesting to its accuracy. It shall be signed on the last page, and a statement added saying:

  "I confirm and agree that the inventory amounts reflected here are true and accurate."

- The report must be sent by **Monday, July 16, 2018** to:

  The Department of Public Safety – Controller’s Office  
  Attention: John Del Greco  
  4220 Mail Service Center  
  Raleigh, NC  27699-4220

- If the NCAS inventory is not accurate on the IN285-4 report as of the end of June 2018, corrections must be made manually to the report, and inventory values and totals recalculated. If this is the case, adding machine tapes must be attached verifying the new total. **There should not be any negative quantities on the inventory report.**

- All Cycle Count Audit Reports for June must be signed by the Facility/Section Head, and maintained for review by Internal Auditors and the Office of the State Auditor.

- Only the EXPORTER Report OSCOPC IN285-4 for the end of June 2018 shall be sent to the Controller’s Office. Please do not send the complete Cycle Count.

- The DPS Help Desk may be contacted during normal business hours at (919) 716-3395 for any questions concerning Cycle Counts or procedures for running the Exporter Report.

  *Please share this memorandum with all personnel involved with the NCAS inventory.*
III. NON NCAS ITEMS

A. Date of Inventory

The physical inventory of all material and supplies shall be as of June 30, 2018 and taken by Friday, June 29, 2018. If administratively and operationally possible, we strongly recommend the physical inventory be taken on Friday, June 29, 2018.

Since we are measuring the value at a certain point in time, it is very important that any items that have been used or any additional items received after the physical count has taken place be accounted for on the inventory listing forms. As an example, this year June 30th falls on Saturday. If the Facility/Section conducts its physical inventory on Thursday, June 28th, any materials or supplies that are used, and any materials or supplies that are received on Thursday, June 28th (after the physical inventory is taken), Friday, June 29th and Saturday, June 30th, must be accounted for and adjusted accordingly on the inventory sheets.

B. Form for Submitting Year End Inventory

All Facilities/Sections are required to submit their Non-NCAS inventory using the Excel Inventory Reports provided by this office:

- **Excel Inventory Report 1** – This report should be used by Facilities/Sections that have several different types of inventory, including custody supplies, kitchen supplies, fuel, office supplies, etc.;
- **Excel Inventory Report 2** – Facilities/Sections that ONLY have office and/or janitorial supplies should use Report 2; and
- **Excel Inventory Report 3** – Report 3 consists of blank sheets to list additional items not listed on either Report 1 or 2.

Note: Facilities/Sections that track inventory on the web-based application “Maintenance Management System,” or another approved system, do not need to re-enter the detail into Report 3. Instead, the Facility/Section may record the inventory by entering the total dollar value of inventory from the approved application in Report 3 and providing a statement such as, “See Attached Inventory Report.” Please make sure to attach the detailed inventory report from the application. The excel worksheet will then include the inventory total in the calculation of the Facility/Section’s summary inventory totals. *If you have a question as to whether or not your system has been “approved,” please contact the Controller’s Office to confirm.*
C. Procedures

1. CHOOSING AND PRINTING EXCEL WORKSHEETS

Detailed instructions for completing and submitting the Excel Inventory Worksheets to the Controller’s Office will be provided when the Excel Inventory Worksheets are distributed via email later in June. We will provide two (2) different excel workbooks for the fiscal yearend inventory:

- **Excel Inventory Expanded Report – 6-30-2018**
  
  **Who should use:** This Excel workbook should be used by Facilities/Sections that have several different kinds of inventory, including custody supplies, kitchen supplies, fuel, office supplies, etc.

  **Description of Workbook:** Tab 1 will include all the various different types of Inventory and will be titled “EOY Inventory Report #1.” Tab 2 will be titled “EOY Inventory Report #3” and will include blank sheets for miscellaneous inventory items that were not listed on Report 1 and should also be used to include totals from other approved inventory tracking systems (i.e. the Maintenance Management System). Tab 3 will be titled “Inventory Summary & Review.” The Summary Page will be formatted to bring forward the totals from the other two (2) tabs and will also serve as the signature page for the inventory.

- **Excel Inventory Basic Report – 6-30-2018**

  **Who should use:** This Excel workbook should be used by Facilities/Sections that have ONLY office and/or janitorial supplies (which will be most Facilities/Sections).

  **Description of Workbook:** Tab 1 will be titled “EOY Inventory Report #2” and will include office and janitorial inventory items. Tab 2 will be titled “EOY Inventory Report #3” and will include blank sheets for miscellaneous inventory items that were not listed on Report 1 and should also be used to include totals from other approved inventory tracking systems (i.e. the Maintenance Management System). Tab 3 will be titled “Inventory Summary & Review.” The Summary Page will be formatted to bring forward the totals form the other two (2) tabs and will also serve as the signature page for the inventory.
Print out the Excel Worksheets that best suit your Facility/Section prior to taking the physical count. Use the hardcopy of the inventory reports to record your manual counts. These sheets should also be signed by the individuals who take the physical counts.

2. **TAKING THE PHYSICAL INVENTORY COUNT**

**Areas to be Inventoried:**
- Stockrooms
- Storage Tanks
- Provision Lockers
- Fuel
- General supplies
- Off-Site or On-Site Temporary Storage Facilities
  (rental storage trailers or rental storage units)

**How to Organize and Perform the Physical Count**

Care should be taken to ensure that items are not counted twice, or omitted altogether. This is more likely to happen if similar inventory items are located in more than one place, or if those involved in the count are randomly walking from one location to another. To help avoid this, each area should have a responsible person who will organize and supervise the count in that area.

It is suggested that rather than using the inventory listing form as a starting point, it may be preferable to start at one side of a room and move around to the other. Then as items are counted, they should be noted on the inventory listing form by the description. This will ensure that every item within that area has been counted; yet nothing will be counted twice.

Suggested areas of responsibility include:

- Administration
- Food/Kitchen (perishables)
- Maintenance
- Medical

**Signatures Required**

The person physically taking the inventory should certify its accuracy by signing the bottom of each page where signature is indicated.
Units of Measure

Care must be taken to ensure that the units of measure for quantities counted agree with the unit of measure listed on the inventory sheets.

For Example:

- One case of Dual Purpose 8 ½” X 11” Dual Purpose Paper contains 10 packages of paper.
- There are five (5) cases on hand when the physical inventory count is taken or 50 packages of paper.
- Because the unit of measure and price noted on the inventory report is by the case, the correct inventory count will be 5. (If the unit of measure and price noted on the report was by the package, the correct count would be 50).

If an item has been opened, determine if at least half the unit remains. If less than half the unit remains, do not add the item to the count. However, if at least half the unit remains, count the item and adjust the cost as appropriate.

Unit Price Defined

The unit price pre-printed on the inventory listing form shall be used. Items not listed on the inventory listing form should be recorded on the inventory add-on sheets (REPORT 3). The unit price should be determined by using the last or most recent invoice price. Make sure the unit of measure listed on the invoice agrees with the unit of measure you have listed on the add-on sheet.

In some cases, the excel inventory worksheet may not include a price for a specific inventory item. In those cases, use the last or most recent invoice price available.

Items to Be Included In the Count

- Gasoline, Heating and Cooking Fuels
- Pharmacy Supplies
- Fresh Provisions
- Office Supplies and Forms
- Other items that have been purchased with Operating funds
3. SUBMITTING THE INVENTORY REPORTS

The Facility/Section Head or designee and the Inventory Contact Person MUST sign the Summary Page attesting to the following statement:

“I confirm and agree that the inventory amounts reflected here are true and accurate.”

All completed inventory listings shall be placed in an envelope and mailed directly to the following address NO LATER THAN Monday, July 16, 2018:

NC Department of Public Safety – Controller’s Office
Attention: John Del Greco
4220 Mail Service Center
2020 Yonkers Road
Raleigh, N.C. 27699-4220

Please keep a copy of the completed inventory at your location for audit purposes.

IV. FREQUENTLY ASKED QUESTIONS

Are used items, or items currently being used, considered inventory?

*Used items are not counted as inventory.* Items should only be counted if they have not been used, and are currently located in a designated storage area. Items such as pencils, pens, folders, and forms that are located at a workstation are considered to be in use and should not be included in the inventory count.

What constitutes an inventory item?

In most cases inventory items are supplies and materials that have been purchased with Operating funds. Equipment such as computers and adding machines are not inventory items and should not be included in the inventory count. Firearms should never be included as inventory.

If an inventory item is not listed on the Physical Inventory Count Form, should it be included as part of the physical inventory count?

Items included in the NCAS inventory system will be counted during the June Cycle Count. Therefore, NCAS items should not be added to the Physical Inventory Count Form. Likewise, Canteen inventory will be included in the June Canteen Report. However, any other unlisted non-NCAS Inventory items that are not listed on the
Physical Inventory Sheets **shall be included as part of the physical inventory count.** These items should be recorded on the separate add-on sheets and included with the Physical Inventory Count Form. When recording these items, use the last or most recent invoice price.

*How should separate locations that are under the same RCC number (i.e. DCC locations) report their inventories?*

One RCC number may have many locations that are at separate sites. Each separate site should complete a separate inventory. One person for each RCC number should be responsible for gathering all the separate sites’ inventories and sending them in to the Controller’s Office together. However, the separate inventories should NOT combine their totals. The separate sites shall be sent to the Controller’s Office together, but as separate inventories.

*Is a location required to send in both types of inventory reports – OSCOPC IN285-4 as of June 29, 2018 (last available date in June for NCAS inventory) AND the Excel Inventory Reports for 6-30-2018 (for Non-NCAS inventory)?*

Yes, if a location has both types of Inventory, NCAS and Non-NCAS Inventory, both types of reports must be sent to the Controller’s Office to the attention of John Del Greco by Monday, July 16, 2018. However, not all locations will have both types of Inventory.

If you have any questions regarding this project, please contact John Del Greco at (919) 324-1027. Questions related to printing forms from EXPORTER for NCAS Inventory should be directed to the NCAS Help Desk, (919) 716-3395.
MEMORANDUM

TO: Division Directors, Section Chiefs, Area Administrators, District Managers,
Institution Heads, Superintendents, Area Institutions, and Youth Services Administrative
Officers, Branch Managers, Division Chiefs, Assistant Division Chiefs, Judicial District
Managers, Assistant Judicial District Managers, Parole Commission, Inmate Grievance
Resolutions Board, Correction Enterprise, Facility Food Service and Clothes House Officers.

FROM: Gary T. Dudley
Warehouse Manager

RE: 2017/2018 Fiscal Inventory

Central Supply Warehouse will be conducting physical inventory from June 11, 2018 through June 18, 2018.

In order to facilitate this inventory, we will be loading trucks as much as SIX WORKING DAYS (6) in advance of delivery. It will be imperative that all usage orders for supplies be entered and approved EIGHT (8) DAYS prior to delivery.

All walk-ins should be only on an emergency basis and will need to be pre-approved by my office (919-662-4367, ext 224). There will be no Custody pickups from June 1, 2018 through June 18, 2018.

Due to the above actions, no facility should request a cycle count on the NCAS system from June 4, 2018 through June 18, 2018. All facilities should ensure that all cycle counts requested prior to June 4, 2018 are closed by June 8, 2018.

We apologize for any inconvenience this may cause and we thank you for your cooperation in this matter.

GTD/ra

cc: Joanne Rowland
    Charlotte Maynard
    Internal Audit – Timothy Harrell
    Darlene Langston
    Michael Grimm