Approved:

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OHIO DEPARTMENT OF TRANSPORTATION
CONSUMABLE INVENTORY PROCEDURE

PROCEDURAL STATEMENT:

It is ODOT's policy to maintain inventories at the lowest possible level without impeding the efficient operations of ODOT functions. All employees are involved in inventory management to the extent that they must remember that ODOT property is public property that has been entrusted to the department for legitimate and prudent use. Property is to be purchased and used in the most efficient and economical ways possible consistent with established purchasing policies and procedures. Districts and Central Office should strive to keep their inventories stocked to be able to supply the right item at the time it is needed, but not overstocked with rarely used or obsolete items. Employees involved in inventory transactions should adhere to inventory procedures and complete inventory forms and Equipment Management System (EMS) computer entries accurately and thoroughly.

This procedure pertains to the receipt, tracking and disposal of all ODOT-owned Consumable Inventory. Consumable Inventory is defined as property that will be depleted or used up (auto parts, facility parts, traffic parts, etc.) and are used to make or maintain something else (such as materials used on roads and bridges).

It is ODOT's policy to ensure inventory duties are properly segregated to prohibit the same employee who authorized a purchase of property or material from verifying delivery of the product and adding it to inventory.

AUTHORITY:

Ohio Revised Code (O.R.C.) section 125.13 "Disposal of Excess and Surplus Supplies".

O.R.C. section 5513.04 "Disposition of Property Unfit For Use or Not Needed By The Department".

O.R.C. section 2913.02 "Theft".

Federal Common Rule Authority – 49 Code of Federal Regulations section 18.32 *"Equipment".*

REFERENCES:

State of Ohio Office of Budget Management (OBM) *"Financial and Reporting Policies for Capital Assets Other Than Highway and Bridge – Related Infrastructure".*

State of Ohio Department of Administrative Services (DAS), General Services Division (GSD) *"State of Ohio Property Asset Management Policies and Procedures".*

ODOT Office of Equipment Management Procedures for the Equipment Management System (EMS).

ODOT Personal Property and Consumable Stock Online Auction Procedures.

SCOPE:

This procedure applies to all Consumable Inventory owned by ODOT. Primary responsibility for adherence rests with Districts, Divisions, and Offices of ODOT. Day-to-day responsibility for adherence to this procedure rests with the Property Manager (as determined by the District/Division Deputy Director). The procedure also applies to any grantees who acquire materials through Federal grants from ODOT.

The items set forth in this procedure are minimum requirements. Nothing in this document prohibits additional requirements being imposed should the Deputy Director deem it necessary.

TRAINING:

Training for this procedure will be conducted on an as-needed basis.

FISCAL ANALYSIS:

ODOT's financial investment in its inventory is substantial. Over the past four fiscal years (2006-2009) ODOT has reported an average inventory value of $34 million dollars for Consumable Inventory. Adherence to this procedure will improve asset tracking and accountability, as well as aid in reducing the funds used to make unnecessary purchases.

PROCEDURES:

I. General Information

A. Consumable Inventory is property that will be depleted or used up (auto parts, facility parts, traffic parts, etc.) and are used to make or maintain something else (such as materials used on roads and bridges).

B. While office supplies, utilities and non-Fleet Equipment services are not required to be entered and tracked via EMS, a District / Division choosing to receive, track and charge office supplies, utilities or services in EMS must adhere to these guidelines.

C. Consumable Inventory Types

1. Construction and maintenance materials are used by ODOT's maintenance forces in the building and maintaining of roads and bridges. They fall into two general categories:

   a. Materials stored by bulk or by weight - these are aggregates, road salt, and other loose substances that are stockpiled at ODOT district headquarters, county garages and outpost yards that use them.

   b. Materials stored by the piece or by size - these include steel, lumber, pipe, and related items. Typically, these materials are purchased by and stocked at the county garages that use them.

2. Fuels and lubricants include gasoline, diesel fuel, motor oil, antifreeze, grease, and so forth. These products are stocked and inventoried at ODOT district headquarters, county garages and outpost yards.

3. Traffic parts for repair of signals/signs, Facilities parts for the repair of buildings, and Equipment parts for the repair of vehicles, are also stocked and inventoried at district headquarters, county garages and outpost yards.

II. Inventory Entry Procedures

A. To ensure ODOT's consumable inventories are adequately tracked and current values reported, each District and Central Office shall utilize the EMS Inventory tracking system to maintain a perpetual inventory. All materials and supplies that have been purchased for use in operations, regardless of cost, must be recorded in EMS (received into the system).

1. All parts, supplies and materials must be received into inventory with a dollar value based on the following classifications:

   a. Purchased material: recorded at full purchase price;

   b. Surplus / Salvage material: recorded at 10% of estimated market value;

      (1.) Must be entered into the system using a Salvage Stock Number;

      (2.) Please Note: Surplus / Salvage material of no use to the Department may still be received into EMS and then disposed of via ODOT's online auction—in this way, ODOT realizes fiscal proceeds from property of no use to the Department.

   c. Donated material: recorded at 10% of estimated market value

2. All consumable materials must be recorded using an ODOT statewide stock number.

   a. The stock number must be clearly marked on the item or bin.

   b. Bin locations must be clearly and accurately marked.

   c. A primary bin location must be identified in EMS for each stock item.

      (1.) Unless an area is in stock number order, Bin Locations must be specific designations descriptive enough to allow a person unfamiliar with the area to locate the material. For example, if all stock in a maintenance yard is given a Primary Bin of "LOT", a Secondary Bin must be added further quantifying where in the lot the material resides (e.g. Southeast Corner).

      (2.) Ideally, an area should be organized so each stock item is divided into a unique bin and this bin would be properly entered into EMS.

   d. If the same item is stocked in two different areas within the same garage location, a Secondary Bin must be identified in EMS.

   e. Specialty items which will be purchased and kept in inventory less than 10 working days (60 days for Traffic items excluding System Sign Replacement) may be recorded using a Non-Stock In / Out number which ends in 9999 (OEM Procedure PMP-5025 "*Determination Criteria For The Use Of In / Out Non/Stock '9999' Numbers*").

3. All non-ODOT labor services and rentals associated with Fleet Equipment should be recorded and charged out the same day or in accordance with the timing in the agreement by which the services were obtained.

   a. These services and rentals must be recorded using a 999**9** stock number.

   b. For work ODOT forces perform upon rental equipment, a 999**8** stock number must be used.

   c. Please note: These guidelines apply should a District / Division choose to receive, track and charge non-Fleet Equipment services / rentals.

4. Consignment parts / material are vendor-owned property stored at an ODOT location and purchased by the Department upon usage.

   a. All consignment parts / material must be physically located in a proper bin and affixed with its corresponding EMS stock number.

   b. Any consignment part / material used by ODOT forces must be received into EMS and charged out in accordance with EMS procedures.

   c. Consignment inventory must be reconciled with vendor invoices to ensure proper charges are made to ODOT.

   d. Should a location choose to receive and track consignment property ***prior*** to usage, it must be flagged in EMS with a "C" in the Excess/Obsolete field.

      (1.) Items designated as consignment are automatically excluded from the turnover ratio calculation.

5. Materials purchased under a 101G or related contract (where ODOT forces are participatory in the project) must be recorded to the appropriate stock number

   a. The labor and / or rental portion of the contract must be recorded separately from the material portion using a service or rental stock number.

III. Overhead Procedures

A. All items must be charged out as they are used unless they meet the criteria for being an overhead item (please refer to the appropriate business area procedures for inventory usage processes).

B. Overhead includes items for which the life or value is not consumed by one specific repair or activity.

1. Types of Overhead

a. Garage: This overhead type can be used for all garage-related, non-repair items that meet overhead criteria. For example:

(1.) Brake Fluid

(2.) Sandpaper

(3.) Floor Dry

b. Miscellaneous: This overhead type can be used for all other (traffic, maintenance or facilities) items not related to a project or to the garage. These items generally benefit the entire operation, such as:

(1.) Safety Items

(2.) Soap

(3.) Bug Spray

2. Overhead Criteria

a. The following thresholds have been developed to determine which items can be stored within an overhead bin location (No Charge Location). For items exceeding these thresholds, the material must be kept in EMS until fully expended.

Type of Item	Unit Cost Maximum	Total Amount Per Stock Item Permitted in No Charge Location
Maintenance	$10.00	$125.00
Traffic	$10.00	$125.00
Garage	$10.00	$125.00
Facility	$10.00	$125.00

b. Full units (boxes, bags, etc.) must be kept on inventory until opened.

c. Only one unit (box or bag) should be opened at one time and this must be segregated into an area labeled as "No Charge".

d. If either the Unit Cost or Total Value threshold is exceeded, the item must remain on inventory until used.

e. Reusable items should be charged to the appropriate overhead rather than to a specific project unless those items will be consumed by that project.

   (1.) Charged items must be segregated from ODOT stock.

   (2.) Reusable items include:
   - (i) Vests
   - (ii) Hard Hats
   - (iii) Hand Tools

f. Detour items (barrels, signs, etc.) are to be charged to the first job for which they are used, then the items must be segregated from regular stock and labeled as Detour items.

g. Useable Remnants are items charged to a work order or project but have useable product remaining once the work is completed. The Useable Remnants of an item—after the needed amount is charged to a work order—can be charged to overhead so long as the estimated value does not exceed the thresholds established in this procedure.

   (1.) If the item being charged to overhead was utilized in the garage, it must be charged to Garage Overhead.

   (2.) If the item being charged was utilized in an area other than the garage, it must be charged to Miscellaneous Overhead.

   (3.) For Useable Remnants exceeding the overhead thresholds, follow the Surplus / Salvage material section of this document.

IV. Inventory Stock Levels

A. The intention of utilizing the minimum / maximum stock level flags in EMS is to aid each location in determining appropriate stock levels and re-order points for each stocked item. By monitoring and using the min/max flags correctly, the flow of inventory (receipt to usage) will allow for higher turnover of the stock.

1. Minimum/Maximum amounts of inventory, by stock number, are to be calculated and maintained at each location (EMS procedure PMP-5060 "*Determination and EMS Entry of Minimum/Maximum Stock Levels for ODOT Parts/Materials*") for all material.

2. The EMS system calculates the min/max levels based on average 3-year usage.

3. These levels must be reviewed and adjusted semi-annually to coincide with EMS procedures to ensure levels reflect operational needs.

4. Excess and obsolete stock shall be verified by personnel at each inventory location on a semi-annual basis.

   a. It is recommended that the inventory coordinator work with location inventory personnel to set the excess/obsolete flags.

   b. No location shall purchase additional stock if ODOT has excess or obsolete stock in inventory at another location of the same type. If the inventory cannot be reasonably transferred to or from the location, then it may be purchased. Once declared excess/obsolete by a district, then it must be released to a district when requested.

V. Inventory Certification and Accuracy Procedures

A. **Each District and Central Office shall perform an annual physical inventory using the Inventory Certification Form. Once the Deputy Director has deemed the inventory to be complete and accurate, the Inventory Certification Form must be signed and submitted to the Office of Accounting.**

1. **Supporting documentation to the certification should remain on file for 3 years.**

B. All Fuel stocks at active facilities must be check and recorded daily per OEM Procedure FPP-4001 "*Completion of the Daily Fuel Sheet*". Fuel stocks at facilities that are closed must be checked and recorded monthly.

C. A minimum of ten percent (10%) of the items per inventory location per month must be spot checked by District or County personnel.

1. Spot Checks must verify count accuracy as well as location organization.

2. Documentation of the monthly spot checks must be retained at the location or at the District for three years.

D. District Finance Offices must perform unannounced quarterly spot checks upon each location within their District each fiscal year.

1. Standard reports must be composed documenting the findings of these unannounced quarterly spot checks, and are susceptible to review during the annual QAR process.

2. Please adhere to the "*Quarterly Spot Check Procedures*".

VI. Disposal—General Information

A. Once a District or Division determines material is no longer useful to the Department, it becomes surplus inventory. This determination shall be made by the Business & Human Resources Administrator, District Fiscal Officer, District / Division Deputy Director or a written designee.

1. A *Certification of Surplus / Obsolete Property* form must be completed and signed for each asset designated as surplus inventory. The form must be retained for four years.

2. The form can be located on the Cost Accounting-Inventory intranet site.

B. **When illegal activity and/or wrongdoing by a state employee is suspected, the Department must adhere to the Office of Governor's *Procedures for Notification of Employee Wrongdoing and/or Suspected Illegal Activity.***

C. **The State Highway Patrol and the Office of Investigative Services must be contacted any time a theft occurs of ODOT-owned property—regardless of the acquisition cost of the asset in question.**

1. A "Lost / Missing / Stolen Asset Occurrence Form" must be completed; this form is located on the Cost Accounting – Inventory intranet site.

2. The ODOT Office of Investigative Services must be forwarded the " Lost / Missing / Stolen Asset Occurrence Form" via an email to the office's administrative assistant.

3. A State Highway Patrol Report must be filed. Contact your local State Highway Patrol post.

D. *Neither ODOT employees nor their immediate family are permitted to bid on property or material offered by the Department in the Public Sale (online auction).*

E. Items with potentially hazardous material must be disposed of at the direction of ODOT's Office of Environmental Services.

F. Property found on the highway:

1. Property found on the highway must be secured and retained by the location for 60 days and a reasonable attempt at locating the owner must be attempted; if the property is not legitimately claimed within 60 days, it must be either entered into the appropriate inventory system or disposed of in accordance with ODOT policies and procedures.

2. Cash found on the highway must be secured and retained by the location for 60 calendar days and a reasonable attempt at locating the owner must be attempted; if after 60 days the property has not been legitimately claimed then the location must contact Central Office of Accounting to deposit the funds into the General Revenue Fund.

G. Non-inventoried property must adhere to these procedures.

VII. **Modes of Disposal for Consumable Inventory.** As a general rule, property unfit for use or not needed by the Department should be sold or transferred to other state agencies or political subdivisions. In the event property unfit or no longer needed is not sold or transferred to a political subdivision, it should be sold via on-line auction. Once these means of disposal have been exhausted, the asset can be forwarded to the Department of Administrative Services (DAS) State Surplus.

Important Note: The Director of ODOT has the discretion to sell, transfer or donate surplus inventory to other State Agencies or Political Subdivisions of the State at any time during the disposal process.

A. ***Interdepartmental Transfer*** *Any surplus materials may be transferred to another District or Division of ODOT.*

B. ***Exchange / Trade-In*** *Should a vendor offer an exchange or trade-in allowance for the surplus material(s) and the allowance presents a cost benefit to the Department, the District / Division is encouraged to pursue this disposal method.*

1. **Adherence to ODOT and State of Ohio purchasing policies and procedures is mandatory.**

2. The vendor's invoice must include a line item description stating the quantity and amount of the exchange or trade-in allowance.

C. ***Intrastate Sale***—*If no other District or Division of ODOT expresses a need for the material, ODOT shall offer the item for sale to other State of Ohio Agencies.*

1. ODOT utilizes an on-line auction house—sales to other state agencies are conducted via this website: The link for this can be found on the ODOT internet website homepage.

   a. If at any time during the online auction process a District or Division of ODOT expresses a desire for an asset, the item can be removed from the auction and transferred to the interested District or Division.

2. See "*Online Auction Procedures For Personal Property and Consumable Stock Materials*" for step by step procedures regarding conducting the online auction.

D. ***Sale to Political Subdivisions (municipalities)***—*Should no other State of Ohio agency purchase the material, then the item must be offered for sale to other political subdivisions.*

1. ODOT utilizes an on-line auction house—sales to Political Subdivisions are conducted via this website. The link for this can be found on the ODOT internet website homepage.

   a. If at any time during the online auction process a District or Division of ODOT expresses a desire for an asset, the item can be removed from the auction and transferred to the interested District or Division.

2. See "*Online Auction Procedures For Personal Property and Consumable Stock Materials*" for step by step procedures regarding conducting the online auction.

E. ***Public Sale***—*Should no other State Agency or Political Subdivision purchase the material, it is then offered to the general public via an auction.*

1. *To meet ORC requirements, an advertisement of the auction must be placed into newspapers in the region where the items are located—the advertisement must be published at least 10 days prior to the auction start date. Central Office is responsible for publishing these advertisements.*

2. A certification document signed by the Administrator or designee must be on file attesting to the accuracy of all items being designated surplus or obsolete.

3. ODOT utilizes an on-line auction house to conduct sales to the general public. The link for this can be found on the ODOT internet website homepage.

   a. If at any time during the online auction process a District or Division of ODOT expresses a desire for an asset, the item can be removed from the auction and transferred to the interested District or Division.

4. *Neither ODOT employees nor their immediate family are permitted to bid on property or material offered by the Department in the Public Sale (online auction).*

5. See "*Online Auction Procedures For Personal Property and Consumable Stock Materials*" for step by step procedures regarding conducting the online auction.

F. ***DAS State Surplus***—*Should the previous modes prove unsuccessful or impractical, Districts or Divisions may forward surplus assets to DAS State Surplus for disposal.*

   1. **This should be done in accordance with procedures prescribed by DAS State Surplus. Please see the "State of Ohio Asset Management Policies and Procedures" published by DAS.**

   2. **Districts and Divisions must first contact DAS General Services Division (GSD), State and Federal Surplus Section at 614.466.6570 prior to forwarding the excess / obsolete assets.**

G. ***On-Site Destruction***—*Failing all other modes, the material must be rendered useless, destroyed and placed in a proper rubbish receptacle.*

   1. An impartial individual must witness the destruction and sign documentation stating as such. This and any other documentation relating to the destruction must remain on file at the site for a period of 4 years.

      a. The "*On-Site Destruction Witness*" form can be located on the Cost Accounting-Inventory intranet site.

   2. Any asset placed in ODOT rubbish receptacles remains the property of the State of Ohio. With the exception of the contracted trash removal service company, it is strictly forbidden for any person(s) to remove surplus / obsolete property from the premises.

H. Once the item is removed, either by a buyer or by destruction, the asset must be removed from the appropriate inventory system.