

## **CONSUMABLE INVENTORY PROCEDURES**

### **Preface**

The Toronto City School District recognizes its responsibility to maintain an adequate consumable supplies inventory for the successful, cost-effective day-to-day operation of district business. Inherent in that responsibility is the provision for adequate internal controls, which will enable appropriate district personnel to make sound management decisions to answer such questions as re-order levels, minimum/maximum order quantities, normal usage, etc. The district also recognizes the need to conduct a periodic, physical count of material consumable supplies, in order to both validate other internal controls and procedures, and to provide accurate, timely information for use in the preparation of financial reports in accordance with Generally Accepted Accounting Principles (GAAP).

### **Responsibility**

While individual directors and supervisors are responsible for the day-to-day control of consumable inventories, ultimate responsibility for control of consumable inventories lies with the Treasurer of the Toronto City School District. The Treasurer will also ensure that a physical count is taken at least annually on or about June 30, and the resulting values are reported in an accurate, timely fashion.

The Treasurer is also responsible for ensuring that the values of the district's material consumable inventories are fairly represented in the GAAP-based financial reports of the district.

### **Determination of Materiality and Cost-Effectiveness**

Due to the lack of a central warehouse in the district, numerous programs/areas/operational units may have some inventory on hand as of any given count date. While theoretically desirable to count all unconsumed supplies, the following types of inventory (if any) will not be counted, due to either the anticipated immaterial amount, or the cost of a count exceeding the anticipated value of the inventory:

- Educational and/or instructional supplies previously disbursed to a classroom or other instructional area and office supplies previously disbursed to personnel.
- Items which have already been requisitioned or will be needed on the day of physical count to perform various work orders; e.g., maintenance supplies, parts for vehicles, etc.

- Maintenance items such as nails, screws, bolts, washers, o-rings, clamps, fuses, fittings, etc., unless contained in unopened packages as shipped from the vendor. If such packages are on hand as of the count date, the minimum order quantity as defined by the vendor shall determine the minimum countable unit. Unless a minimum of five countable units, each with a value of at least five dollars (or one minimum unit with a value of at least twenty-five dollars) are on hand, they will not be counted.
- Larger maintenance items such as electrical boxes, switches, conduit, junction boxes, etc; and belts and hoses, unless a minimum of five like items are on hand as of the count date and each item has an individual cost of at least five dollars (or one item with a value of at least twenty-five dollars).
- Less than full, uncut spools of bulk hose, tubing, and wire on hand as of the inventory date.
- Samples of merchandise received either as a promotion or to be used on a trial basis.
- Items which are obsolete, damaged, or ordered/shipped in error will be segregated in a manner which easily identifies that they are not to be counted.
- Athletic Department.
- Scrap items of lumber and wood products, including studs, joists, trusses, plywood, paneling, trim, etc., and miscellaneous lengths of conduit, plumbing pipe, etc., unless in amounts which meet minimum order amounts described above.
- Items for resale either as a means of fund-raising or concessions, typically associated with student activities.
- New orders received after the count has begun.
- Any item not consumed or expended in its use.
- Fuel Dumps

The district has determined that, at the end of any fiscal period (June 30), a material inventory may exist, and if it does, it would be cost-effective to count such inventory in the following areas (subject to the above limitations):

- Custodial/Maintenance
- Food Service
- Central Office paper and office supplies

- Educational facilities; instructional; and office supplies

Although each of these areas may require a slightly different set of procedures due to the uniqueness of each type, the following pages will consistently address for each area the method of reporting; the method of costing; who will conduct the count; forms and/or diagrams to be used; and who will review the count from each area.

In general, the minimum unit for counting purposes shall be the minimum quantity sold by the vendor, whether that is “each, set, box, carton, dozen, gallon”, etc.

Proprietary fund type consumable supplies warrant the use of the consumption method of reporting; i.e., they are recorded at time of acquisition and expended at time of use. Governmental fund type inventories, on the other hand, use the purchase method of reporting, i.e., they are charged at the time of acquisition as asset with a corresponding reserve for inventory in the fund equity.

#### Custodial/Maintenance Supplies

As previously mentioned, custodial supplies are warehoused throughout the district. The majority will be at the S.C. Dennis Building. Although some custodial/maintenance supplies will be on hand at each educational facility, they will be considered consumed due to the relatively immaterial amount.

The Supervisor of Custodial/Maintenance Services will conduct the count using a generic count form.

Custodial/maintenance supplies are considered to be general fund assets and use the purchase method of reporting.

The costing method will be FIFO (first in - first out). It is the responsibility of the Treasurer’s Office to ensure that most recent pricing is reflected on the inventory count form.

#### Food Service

The food service operation for the Toronto City School District is managed by the Director of Food Service. Currently, each educational facility has a kitchen with the exception of the S.C. Dennis Building.

Due to Federal and/or State reporting requirements, the Director of Food Service completes a monthly inventory of staples and paper goods (type A and special) and purchased food, as well as government-subsidized commodities (see Exhibits FS-1). Rather than conducting a separate, additional inventory on or about June 30 of each year, the values of the ending inventory for the

month of June, taken on or about the last day of classes, will be used in the preparation of financial statements.

It is the practice of food service personnel to count all items, even when the amounts are less than the standard quantities (case value) defined on the count forms. Partially used packages, and damaged, spoiled, or otherwise unusable items must be counted for Federal and/or State reporting purposes but will be deleted for financial reporting purposes. Any items on hand which were ordered/shipped in error will be segregated in a manner which easily identifies they are not to be counted.

The general location of all consumables are stored at each individual kitchen.

Food Service consumables warrant the consumption method of reporting. They are recorded at the time of acquisition and expended at time of use. The costing method will be FIFO (first in-first out). Values are obtained from original invoices for purchased items and vendor-determined market price for commodities.

The Treasurer's Office will review the Food Service inventory.

#### Central Office

In the district's Central Administration Offices are material amounts of copier paper and supplies, office supplies, and forms and data processing supplies used in the Treasurer's Office.

The Treasurer will assign personnel to conduct the count of these supplies using a generic count form.

Central Office supplies are considered to be general fund assets and use the purchase method of reporting.

The costing method will be FIFO (first in-first out). It is the responsibility of the Treasurer to ensure that most recent pricing is reflected on the inventory count form.

#### Educational Facilities

There are three educational facilities in the Toronto City School District; one elementary, one middle school and one high school. It is anticipated that there may be a material inventory of instructional supplies, and office supplies on hand as of the end of the fiscal year, especially items ordered in preparation for the succeeding school year.

Depending upon the facility, either the principal or the building secretary will conduct the count (subject to previously described limitations) using a generic count form.

Office and instructional supplies warrant the use of the purchase method of reporting. These supplies will be assets of the general fund only.

The costing method will be FIFO (first in - first out). It is the responsibility of those conducting the count to ensure that most recent pricing is used when valuing the inventory.

The Treasurer's Office will review each building's inventory.

#### Other General Considerations

The success of the physical count will depend to a large extent upon the personnel involved. All appropriate staff should have a thorough understanding of his/her role. Personnel who will actually conduct the count should not need to make arbitrary decisions about what should be counted. Any issues unresolved in the preceding pages should be settled by appropriate administrative staff prior to the count.

Personnel not involved in the inventory process must be allowed to perform their normal work activities. As previously discussed, they should request all supplies they anticipate using prior to the beginning of the count, to the extent possible. These supplies will then be considered consumed.

The count should be conducted on the last day of each fiscal year, June 30. Obviously, this may not always be possible; therefore the count should be conducted as close to June 30 as is feasible. If conducted prior to June 30, any material amounts received between the count date and June 30 should be added to the total count. If conducted after June 30, any material amounts received between June 30 and the count date should be deleted from the count.

All areas to be inventoried should be neat and organized. Similar items should be stored together and in easily accessible locations. Obsolete items should be discarded.

The Treasurer's Office will ensure that footings and extensions are accurately completed on the count form and that values are allocated to the appropriate funds.

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