14 FAH-1 H-400 CONTROL OF PERSONAL PROPERTY

14 FAH-1 H-410 PERSONAL PROPERTY ACCOUNTABILITY

(CT:PPM-1; 08-11-2004)
(Office of Origin: A/LM)

14 FAH-1 H-411 ACCOUNTABILITY REQUIREMENTS AT POST

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

a. Accountability includes the identification of items to be controlled, the assignment of responsibility for the care and maintenance of the items, and the determination of the degree of control required. Decisions concerning the degree of control include but are not limited to:

(1) Property transactions that will require documentation control;

(2) Items that will require property records; and

(3) Items that will require special storage arrangements.

b. Office moves, which will require major property movement, should be documented so that orderly location changes can be made to the property records. Form DS-584, Nonexpendable Property Transaction, should be used for this purpose. A system should be established to ensure that documents covering such moves are routed to the property records office.

14 FAH-1 H-412 ACCOUNTABILITY CRITERIA

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

a. See 6 FAM 224.1-1 for criteria on general classifications of property for which property records are mandatory.

b. **Miscellaneous property items**: Procedures for accountability control for several miscellaneous types of property items and property actions that often receive inappropriate control and record keeping are:

(1) **Carpet**: Records should be kept on cut/bound rugs and rolls of carpet in warehouse stock (it is recommended that rolls of carpet be recorded by the square yard). Although records should be kept on cut/bound rugs in use they need not be kept for installed wall-to-wall carpet;

(2) **Transformers**:

(a) **State only**: Generally, records should be kept on transformers and smoke detectors because they are serial numbered. However, in keeping with 6 FAM 224.1-1, records need not be kept on items under $500 in cost;

(b) **AID only**: Records shall be kept on all nonexpendable property, regardless of cost;

(3) **Parts**: Form OF-131, Stock Control Card, on parts (i.e., auto, appliance, etc.) are not to be kept in the shop. They should be kept in the general services office, and stock issues should be handled in the same manner as expendable supplies (see 14 FAH-1 H-420, Internal Requisitioning Procedures). If incoming parts are generally received by shop personnel, a sub-receiving area should be officially established and receiving reports should be prepared and processed (see 14 FAH-1 H-312.1);

(4) **Tools**:

(a) **State only**: Because tools are considered pilferable items, property records (identifying all items included) shall be kept on tool kits assigned to specific individuals, and a Form DS-584, Nonexpendable Property Transaction, must be signed by those individuals. Records shall also be kept on the more costly tools assigned for general use or shop use (e.g., electric drills and electric saws) and Form DS-584 shall be signed by any individual to whom such a tool is issued on a "charge out" basis for more than 24 hours;

(b) **AID only**: AID uses Form OF-130, Personal Custody Property Receipt, for tools, tool kits, or more costly tools assigned for general use;

(5) **Security items**: The accountable property officer (APO) should coordinate with the security officer to ensure that some of the program items acquired by security and used by security personnel which are administrative in nature, such as cameras, closed circuit TV (CCTV), incinerators, disintegrators, and alarm systems, are not overlooked on the property records. Generally, property which is program funded is accounted for by DS, and property funded by the post is accounted for by

the post. **For AID**: Property funded by any means is accounted for by the post;

(6) Accountability records must be maintained for any expendable or nonexpendable nonstock storage (property that is generally held in the warehouse for a specific office or program, and that is not part of the general issue stock program), and for turned-in property being held in the warehouse pending its final disposition (see 6 FAM 224.1-1). Nonexpendable property application (NEPA) (State) or USAID's automated property system should be used when appropriate. For turned-in nonexpendable property not on NEPA or USAID's automated property system, or for expendable nonstock storage, stock control cards may be used;

(7) When it is impractical to affix a bar code label to a **heritage** asset, a photograph should be taken and the label, and accompanying data, be maintained in a binder. This data should include, but not limited to, the maker's names and biographies, acquisition documents, donor letters, technical descriptions, appraised values, conservation or restoration treatment reports, and related published material. These records, when available, should be consolidated for permanent retention. Data previously entered in the NEPA system should be verified for accuracy; and

(8) Specific guidelines and procedures for identification and accountability of antiques, works of art, and other cultural heritage assets can be found in Overseas Buildings Operations Interiors and Furnishings Division's (OBO/PE/IF) Program Guide.

14 FAH-1 H-413 PROPERTY RECORDS

14 FAH-1 H-413.1 Purpose

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

Property records are maintained for the purposes of property accountability, inventory control, and to establish custodial responsibility.

14 FAH-1 H-413.2 Action Documents to Be Posted

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

a. In addition to posting results of the annual physical inventory and spot-check inventories, there are other action documents that affect property records and must be posted. These are receiving reports—forms that document property relocation/movement: Form DS-584, Nonexpendable Property Transaction; Form OF-132, Property Disposal

Authorization and Survey Report, for State or Form AID 534-1, Personal Property Disposal Authorization and Report, for USAID missions; repair work orders Form DS-585, Nonexpendable Property Repair Work Order for State; and Form DS-1955, Receiving Worksheet for Nonexpendable Property. USAID normally creates formats for work orders at post.

b. At posts using the nonexpendable property application (NEPA), all repair work orders, involving capitalized property, must be recorded in the maintenance records.

c. The property management officer (PMO) should see that procedures are in place to ensure that copies of all of these documents are forwarded to the property records office upon completion of the action.

d. The actions are posted to the property records upon completion of the property action. They should be posted in a timely manner because, until they are entered, the records will not reflect the correct quantities and values of property on hand, will not reflect correct property locations, and will reflect property as being on hand when it is no longer on hand.

e. After the documents have been posted, they should be placed in a pending file, awaiting a final review by the accountable property officer (APO). A final review will ensure that all actions have been taken and that the necessary signatures/initials are present.

14 FAH-1 H-413.2-1 Receiving Reports

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

Form DS-127, Receiving and Inspection Report, is used to confirm and record receipt of incoming property acquired by requisition, purchase order, or transfer document, and to document inventory overages. The property listed on Form DS-127 should be added to the property records.

14 FAH-1 H-413.2-2 Transfer Documents

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

Transfer documents are used to record transfers of property out of the agency, and to record the relocation of property as a result of office moves, issues from stock, etc. The information on the transfer document should be entered in the property records to reflect the new property locations. Form DS-584, Nonexpendable Property Transaction, is used for this purpose. USAID uses Form OF-130, Personal Property Receipt.

14 FAH-1 H-413.2-3 Disposal Documents

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

a. Disposal documents identify and record property that is no longer needed and has been identified for disposal. The property listed on the disposal document should be removed from the property records once the completed Form OF-132, Property Disposal Authorization and Survey Report, for State (or Form AID 534-1, Personal Property Disposal Authorization and Report, for USAID), is returned to the property records clerk (see 14 FAH-1 H-700).

b. **For USAID:** Form AID 534-1 is prepared and sent to USAID's Bureau for Management's Overseas Management Support Division (M/OMS).

14 FAH-1 H-413.2-4 Repair Work Orders

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

All repair information on capitalized property must be recorded in the property records. Cost repairs of other equipment items should be captured. Form DS-585, Nonexpendable Property Repair Work Order, is used to document repairs to nonexpendable property (see 14 FAH-1 H-423).

14 FAH-1 H-413.2-5 Form DS-1955, Receiving Worksheet for Nonexpendable Property

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

For all incoming property to be recorded on nonexpendable property application (NEPA), a Receiving Worksheet for nonexpendable property should be prepared by the receiving clerk, and attached to the receiving report (see 14 FAH-1 H-316.2).

14 FAH-1 H-414 STANDARD NOMENCLATURE

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

a. To be consistent and to ensure compatibility of property action documents, such as replenishment orders, transfer documents, disposal documents, etc., a standard nomenclature should be used when

establishing property records. Standardized data also reduces confusion and makes working with the records easier. The records should be sorted alphabetically, within categories, and should contain adequate descriptive data. The nomenclature generally used by U.S. Government agencies employs the main descriptive noun in the first position, followed by qualifying adjectives describing the general category, material, manufacturer, class (i.e., executive or standard), size, color, etc. If a stock number is associated with the item, it should also be part of the data. Examples of standard nomenclature are:

(1) DESK, metal, double pedestal, flat top, 1.65m x 1m (66in x 40in), NSN;

(2) CABINET, filing, metal, 5dr, legal, NSN; and

(3) CHAIR, swivel, executive, with arms, brown leather, NSN.

b. **USAID only**: USAID publishes a Nonexpendable Property Description and Control Number Guide which reflects USAID's Object Classes and control numbers. These are necessary for controlling USAID property since they correspond to the system maintained in USAID's Washington, DC headquarters (USAID/W). It is this system from which reports to the General Services Administration (GSA) and the Office of Management and Budget (OMB) are generated.

14 FAH-1 H-415 ACCOUNTABILITY RECORDS

14 FAH-1 H-415.1 General

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

Documents covering property acquisition and transactions are posted to the accountable property records. These documents (purchase orders, requisitions, transfer documents, and disposal documents) will have a number assigned to them. The purchase order number, for example, will be the allotment and obligation numbers. For FEDSTRIP/MILSTRIP requisitions, the number is a combination of the Activity Address Code, Julian Date, and Line Item Number. When posting property received in transfer from another agency, use the other agency's transfer document number, and when posting property disposed of, use the document number indicated on Form OF-132, Property Disposal Authorization and Survey Report, for State or Form AID-534-1, Personal Property Disposal Authorization and Report, for USAID.

14 FAH-1 H-415.2 Recording Costs on Property Records

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

a. **State only**: When recording the cost on accountability records, enter the cost, in U.S. dollars. The cost includes:

(1) Amounts paid to vendors;

(2) Transportation charges;

(3) Handling and storage costs (including freight forwarding charges);

(4) Labor and other direct or indirect production costs (for goods produced or constructed); and

(5) Outside services for designs, plans, or specifications.

NOTE: Purchase orders, contracts, requisitions, etc, will include the item cost and, at times, other related costs. When other costs are not included on the acquisition document, they can be picked up from transportation documents, and invoices and billings submitted later.

b. **USAID only**: If there are separate billings from the carrier, the transportation charges are not added to the property records. All packing charges, separately identified as such, are excluded from property records and are not added to the property values.

14 FAH-1 H-415.3 Approved Systems for Maintaining Accountable Property Records

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

a. The record systems approved for the accountability of U.S. Government-owned nonexpendable personal property are the nonexpendable property application (NEPA), worldwide property application system (WPAS), property accountability management system (PAMS), automated vehicle information system (AVIS) for State, and USAID's automated system.

b. **State only**: To ensure the integrity of the Bureau of Resource Management's (RM) financial statements, it is critical that each item reported as capitalized property to RM only be recorded in one of the approved record systems listed above.

c. Supporting documents such as receiving reports, NEPA receiving worksheets, disposal documents, and transfer documents should be kept in a pending file between system backups. After backup is completed, they can be transferred to a permanent file. The NEPA and USAID's automated property systems' manager manuals advise that these systems should be backed up frequently or even daily, because power failures may damage the files.

14 FAH-1 H-415.4 Form OF-131, Stock Control Card

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

a. The Form OF-131, Stock Control Card, is used to record balances of both expendable and nonexpendable personal property, including residence property, in stock. Form OF-131 is not required for cupboard stock supplies.

b. Form OF-131 must be used to record nonaccountable warehouse stock (i.e., property with a value of less than $5,000), if such stock is not recorded on the nonexpendable property application (NEPA).

c. **USAID only**: Records are kept on all nonexpendable property, regardless of cost.

d. Form OF-131 should not be located in the immediate area where the property is housed.

e. The first entry reflects either the result of a physical inventory (if establishing a card on an item that has been on hand for some time and receipt data is unknown) or the posting of a receipt. Subsequent entries are made as stock is received and issued, and as a result of a physical inventory.

f. In 14 FAH-1 Exhibit H-415.4 (Form OF-131), the data field numbers in the instructions for posting to the form correspond to the circled numbers in each field of the form.

g. Form OF-131 can be destroyed one year after the balance has been transferred to a new card.

14 FAH-1 H-416 PERSONAL CUSTODY RECORDS

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

a. Specialty property (such as a briefcase, hand held communicator, or tool kit) issued to an employee for his or her exclusive use in the performance of official duties, is handled under a charge-out procedure. Such property is documented on Form DS-584, Nonexpendable Property Transaction, and a charge-out file is maintained until the property is returned (USAID uses Form OF-130, Personal Custody Property Receipt, for this purpose).

b. Employees, including contract personnel (see Federal Acquisition Regulation (FAR) 45.504), may be held financially liable for such specialty property if it is stolen, damaged, lost, or destroyed as a result of negligence, improper use, or willful action on the part of the employee.

c. Refer to 14 FAH-1 Exhibit H-424.3a for preparation of Form DS-584, Nonexpendable Property Transaction, to document a "charge out." Although this exhibit has been prepared to cover a loan, the following preparation for a charge-out action is similar. The data field numbers below correspond to the circled numbers in each appropriate field in 14 FAH-1 Exhibit H-424.3a.

Data Field

[1] Date

The date of assignment.

[3] Action

The date that the issue was made.

[6] Requestor's Name

The name of the individual to whom the property is charged out.

[7] Post/Agency

The name of the agency, if other than State.

[8] Office

The requestor's office.

[9] Room Number

The requestor's room number.

[10] Telephone Number

The requestor's telephone number.

[11] Justification/Remark

Include any desired comments (e.g., the property is issued to the employee to be used in the conduct of official business).

[12] Authorizing Officer

If the property to be assigned/loaned is permanently assigned to the office in which the requestor is employed, the office supervisor signs as authorizing officer. The accountable property officer (APO) signs if property is taken from stock.

[15] Property Number

If one exists, enter the nonexpendable property application (NEPA) property number.

[16] Serial Number

Enter any serial numbers.

[17] Description

Enter the description(s) of the item. Use the description as it appears in nonexpendable property application (NEPA).

[18] Quantity

When using NEPA or when entering a serialized item, leave this field blank, since each line will be a one item entry. Otherwise, enter the line item quantity being loaned.

[19] Condition

Enter the property condition as it appears in the property records.

[20] Unit Cost

Cost of each item as recorded in the property records.

[21] Total Cost

Enter the total line item cost.

[23] Receipt

The individual to whom the property is issued signs and dates.

d. If an issue is made by the office in which the employee is located, from property assigned to the office, the Form DS-584, Nonexpendable Property Transaction, is prepared in that office and the supervisor signs as authorizing officer. The supervisor ensures that the employee signs for receipt of property. The original is forwarded to the property office where it is retained in a charge-out file until the property is returned.

e. If an issue is made from stock, the Form DS-584 is prepared in the general services office and the APO signs as authorizing officer. The APO ensures that the employee signs for receipt of property and retains the original in a charge-out file until the property is returned.

f. When the property is returned, it must be inspected to confirm that it is the property listed on the Form DS-584, and to determine its condition. If several items are charged out and only a partial return is made, the Form DS-584 must be annotated to indicate which items were returned. When all of the property has been returned and accepted, the Form DS-584 is discarded.

14 FAH-1 H-417 SUPPLY/EQUIPMENT SUPPORT

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

a. The everyday operation of the post depends upon the ready availability of supplies, equipment, and services. To avoid delays and interruptions to post activities, the accountable property officer (APO) should ensure that effective supply, equipment, and maintenance support operations are in place.

b. There are basically two ways by which the general services office may provide supplies and equipment to post personnel. The first is to order from the supplier when the item is requested, and the second is to order before it is actually requested and store it to meet future requirements. Material stored to meet future requirements is referred to as stock. Post support operations generally incorporate both a stock program and acquire as-needed services. Prior to the procurement of any items not stocked by the post, or prior to the submission of stock replenishment orders,

unneeded property at post and notices of unneeded property available from other posts in the geographic area shall be screened to determine whether the items can be supplied from either of these sources.

c. Since circumstances will vary from post to post, the type of support operation and the extent to which a stock program is used is left to the discretion of the APO. The principal objective is to meet the post's needs adequately and in the most economical manner. When establishing such an operation or reviewing an existing one, the APO must consider that the total cost involved should be kept to a minimum consistent with post's needs.

14 FAH-1 H-418 EXPENDABLE PROPERTY

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

Stock control records must be maintained on items in stock. Depending on the circumstances, expendable property is either delivered to ordering offices from the warehouse/supply room or picked up by the ordering office.

14 FAH-1 H-418.1 Stock Program

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

What to stock: Stock refers to material stored to meet future requirements. The decision of whether or not to stock an item involves economic and noneconomic considerations, examples of which are:

(1) **Economic considerations**: Is it more economical to stock the item or order it from the supplier when requested by the customer?:

(a) Does item have a shelf life long enough to avoid unnecessary loss?

(b) What is the price of the item?

(c) Is storage space available?

(d) What is cost of acquisition?

(e) What is cost of carrying inventory?

(f) What is cost of transportation?

(2) **Noneconomic considerations**:

(a) How essential is the item?

(b) How frequent are requests for the item received?

(c) Can it be suitably stored?

(d) Can the item be acquired locally?

(e) Is there a budgetary limitation?

(3) It would be ideal to be able to give immediate service for every item that the customers may need, but this level of service would require a tremendous investment in the range of inventory items. Therefore, there are many items that should not be stocked but should be ordered from the supplier when requested by the customer; and

(4) Because supply requirements often change over a period of time, stock control records should be reviewed at least once a year to identify those items which have become inactive or slow moving thereby resulting in an overstock (based on the above criteria for stocking). Those items which are inactive should be removed from the stock program. Any excess on hand is disposed of in accordance with regulation.

14 FAH-1 H-418.2 Shelf Life

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

a. Posts with a stock program should attempt to identify items which, because of environmental or climatic conditions, are subject to deterioration or damage during storage. Posts should establish a "shelf life" for as many of these items as possible. Past experience with items having such problems can be used as a guide in making judgments. Sometimes package labeling includes shelf life information. When the shelf life for an item has been established, that information should be included on the stock control card for guidance in placing future replenishment orders.

b. Below are estimated shelf life periods for some of the items generally used at post that should receive shelf life attention. The life expectancy represents items kept in good storage conditions. On many items, the shelf life can be extended. Therefore, when the estimated shelf life has expired, the item should be examined and, if warranted, a new estimated shelf life established:

(1) Adding machine tape, self imaging, carbonless, 36 months;

(2) Antifreeze, car/truck, 36 months;

(3) Battery, nonrechargeable, 12 months;

(4) Correction fluid, 6 months;

(5) Disinfectant, 24 months;

(6) Enamel, interior, exterior, 4 months;

(7) File folder labels, 18 months;

(8) Filler, wood, 24 months;

(9) Hand cleaner, 24 months;

(10) Ink, marking, stencil, 12 months;

(11) Ink, stamp pad, 24 months;

(12) Ink, writing, 12 months;

(13) Lacquer, 24 months;

(14) Paint, latex, 24 months;

(15) Paint, oil, 24 months;

(16) Pad, note, adhesive on back, 12 months;

(17) Paint thinner, 36 months;

(18) Paper, noncarbon transfer (no carbon required), bond, 36 months;

(19) Paper, teletypewriter, roll, 36 months;

(20) Paper, teletypewriter, carbonless (chemical transfer), marginally perforated, 12 months;

(21) Pen, felt tip, 12 months;

(22) Primer coating, general use, interior/exterior, wood, metal, plastic, 24 months;

(23) Putty, 24 months;

(24) Soap, toilet, 24 months;

(25) Stain, 36 months;

(26) Sweeping compound, 24 months;

(27) Tape, pressure sensitive, 12 months;

(28) Towel, paper, 60 months;

(29) Turpentine, 36 months;

(30) Type cleaner, 24 months;

(31) Wax, automobile, 24 months;

(32) Wax, floor, 24 months.

c. To avoid issuing new stock first and allowing old stock to remain and deteriorate, care should be taken not to commingle new incoming stock with old stock on hand. For bin stock, place new stock in the rear of bin and pull (issue) stock from the front.

d. The care of supplies to ensure a ready for issue condition is an important task. For guidance on the care of supplies in storage, the following information indicates conditions that adversely affect certain types of items stocked by posts abroad:

(1) Batteries, dry cell: May be adversely affected when stored where temperature is higher than normal room temperature;

(2) Blankets, bristle brushes, and furniture with animal fiber and felt covering: Subject to damage by moths;

(3) Canvas items: Will mildew when subject to warm, moist climate;

(4) Carpet: Subject to damage by carpet beetles;

(5) Hardwood items (ax and mop handles, etc.): Subject to warping when exposed to excessively damp or dry climates;

(6) Leather supplies: May be damaged by heat and moisture;

(7) Machines, office: May be damaged by dust;

(8) Metal products: May rust and corrode when exposed to moisture;

(9) Rubber tires: Tend to dry rot quicker when subject to excessive daylight, heat, air in motion, and ozone;

(10) Tape, gummed (including pressure sensitive and cellophane): May be adversely affected by direct sunlight and heat; and

(11) X-ray film: Is adversely affected by exposure to high temperature and humidity.

14 FAH-1 H-418.3 Supply Room Operation

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

a. Depending upon the size of the operation and the location of the warehouse in relation to the offices to be serviced, supply distribution needs for expendables will vary with each post. Because the distance between the warehouse and the offices at most posts prevents employees from picking up supplies from the warehouse, and because delivering small orders of supplies to various offices can be time-consuming and inefficient (especially if the post is large or spread out over a wide area), a supply room convenient to all offices is the most generally accepted method of dispersing small quantities of expendable supplies. For economic reasons, schedules are generally established whereby supply rooms are open only at certain times. Requisitions are submitted to the general services office for advanced approval (see 14 FAH-1 H-421.4) and, when the approved requisition is received at the supply room, the requesting office is notified when to pick up supplies.

b. A supply room operation will also reduce the need for employees to maintain large amounts of cupboard stocks, a practice that can result in a waste of both space and supplies. A supply room operation, however, does not eliminate the need for cupboard stocks. Limited cupboard stocks will prevent excessive requisitioning of small quantities. Cupboard stocks should be limited to what is consumed during a normal 30-day period.

14 FAH-1 H-419 NONEXPENDABLE AND EXPENDABLE PROPERTY

14 FAH-1 H-419.1 Nonexpendable Property

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

a. The issue of nonexpendable property is not as predictable as is the issue of expendable property. Issue demand is often not consistent and, therefore, not entirely reliable for use in forecasting issue demand. Generally in this circumstance, the tendency is to overstock. Therefore, a reordering system should be established that will prevent carrying an excessive inventory. One approach is not to order stock on the basis of long term projections but to submit more frequent replenishment orders for stock as needed. Establish a reasonable stocking level (based on several years past usage) and submit replenishment orders only to maintain that level. For example, if the refrigerator level is six and two are issued, reorder the two.

b. Factors that will have significant influence on stocking levels and replenishment orders are:

(1) **Storage space**: Storage space will play a big part in the items kept in stock and level of stock maintained. Even though all other stocking factors may be favorable, there could be times when a shortage of storage space will limit stocking the levels needed;

(2) **Lead time**: How long does it take to get replenishment stock on hand? If low stock levels are maintained, can larger quantities be acquired within reasonable time periods to allow for planned replacement of obsolete and unusable furniture and equipment?

(3) **Local acquisition**: Can the item be acquired locally? If emergencies arise that stock on hand will not cover, can emergency acquisitions be made in a reasonably short period of time?

(4) **Essentiality**: How essential is the item and what are the consequences of not having it available to meet demands?

(5) **Inventory cost**: What are the administrative costs of acquiring, storing, and maintaining an accountability record for the item? and

(6) **Inventory value**: What is the cost of the item? An effort should be made to keep the inventory value as low as possible while still providing adequate customer service.

14 FAH-1 H-419.2 Expendable Property: Stock Control

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

Stock control refers to the functions of determining future requirements and controlling the stock inventory to meet those requirements. Controlling the inventory involves maintaining the desired level of stock on hand, reordering the right quantity of stock, and reordering it in time to arrive before stock on hand is depleted but not early enough to cause a serious overstock problem. This is best accomplished by determining a good reordering cycle and establishing minimum and maximum stock levels for each item. The elements described in 14 FAH-1 H-419.2-1 should be given careful consideration, since overstated requirements will result in excess stocks, and understated requirements will result in stock shortages.

14 FAH-1 H-419.2-1 Replenishment Cycle

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

a. The replenishment cycle is the time period between stock replenishments (see chart in 14 FAH-1 Exhibit H-419.2). Since it is the operating stock that is issued during this period, the length of the cycle depends on how long the operating stock will last before needing replenishment.

b. Some of the objectives to keep in mind when assigning replenishment cycles are:

(1) Keeping the inventory value as low as possible;

(2) Providing good customer service; and

(3) Keeping the administrative costs of preparing, processing, and monitoring requisitions and purchase orders to a minimum.

c. An item's characteristics will generally determine what kind of a replenishment cycle it will be assigned. Generally, a replenishment cycle is categorized as a short cycle (one to four months) or a long cycle (greater than four months). The following lists contain factors that will influence cycle assignment and show cycle relationship:

(1) Short cycle (results in smaller, more frequent orders):

(a) Critical;

(b) Expensive;

(c) High volume; and

(d) Short shelf life;

(2) Long cycle (results in larger, less frequent orders):

(a) Inexpensive;

(b) Low demand;

(c) Low item cost;

(d) Low storage requirements;

(e) Noncritical; and

(f) Long shelf life.

14 FAH-1 H-419.2-2 Computing Future Needs

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

Before stock levels can be established for an item, an estimation must be made of what the future average monthly need will be. The best way to determine this is to find out what the past average monthly issues were for a given period (six months or one year). If the past six months are used, total up the issues for those six months and convert that amount to a monthly average. For example, if the issue total for that period was 60, the expected future average monthly average would be 10 (60 divided by six).

14 FAH-1 H-419.2-3 Stock Levels

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

a. Whatever quantity is stocked, it is expected to be reduced at the predicted rate of demand and eventually depleted. Therefore, in order to ensure continuous supply service, stocks must be replenished periodically. In order to know what, when, and how much to reorder, a replenishment plan needs to be established. When establishing a replenishment plan, consider the number of months in the reordering cycle, how many months it takes to receive supplies after the replenishment order is submitted, and what happens if it takes longer than anticipated to receive the supplies. To satisfy those requirements, establish an operating stock level (stock that is expected to be issued from one replenishment to the next), a lead time stock level (stock that is expected to be issued from the time a replenishment order is placed until it is received), and a safety stock level (stock which is needed for issue if the lead time and operating stocks are depleted).

b. If customer requests are being back ordered for items which cannot be filled, the number of back orders on hand for a given item should also be taken into consideration when calculating quantities to reorder.

(A) Computing Operating Stock Level

a. The number of months in the reordering cycle will determine the quantity of operating stock to be carried. If an item is on a three-month cycle (reordered every three months), it will carry a three-month operating stock (three months stock ordered each time). In computing a quantity for the operating level, you will need to know what the average future monthly issue for the item will be.

b. The following computation represents an item for which the last six months issues were used in estimating the operating stock level:

Usage Last 6 Mos.	Average Usage Per Mo.	Months in Replenishment Operating Cycle	Stock
60	10 (60 divided by 6)	30	(3 times 10)

The item in this paragraph is to be reordered every three months, at which time a quantity of 30 of the item (a three-month supply) is ordered.

(B) Computing Lead Time Stock Level

a. Lead time is the time period between initiation of stock replenishment action and receipt of the material ordered. The expected lead time for an item can be estimated on the basis of past lead time experience. Generally, a simple average of past lead times will give you a lead time estimate. A convenient way to get that average is to use Form OF-131 (see 14 FAH-1 H-415.4, paragraph f). The card includes a field for recording the date that the stock replenishment order was initiated and the date that stock was ultimately received. Compare the two dates and compute the total time lapsed. An average of the time taken on the past few orders should give you a reasonable lead time.

b. In computing a quantity for the lead time level, you will need to know what the average future monthly issue for the item will be. The stock quantity required during lead time period can be determined by multiplying the expected future monthly issue rate by the expected number of months in the lead time.

c. The following example shows the computation of the lead-time quantity for an item having an average monthly issue of 10 and a lead-time of two months.

Issues Last 6 Mos.	Average Lead-Time Usage Per Mo.	Months in Lead Time	Stock Required
60	10 (60 divided by 6)	2	20

(C) Computing Safety Stock Level

a. Due to differences between planned and actual requirements, or planned and actual lead time, emergency situations will arise. The emergency period begins when the operating and lead time stock levels have been depleted and ends with receipt of the replenishment stock. During that time it is necessary to issue from the safety stock.

b. Each reorder cycle brings with it a chance that some portion of the safety stock level will be needed, and some possibility that the safety level will not be sufficient to prevent shortages. Generally, the safety level should be sufficient to meet a reasonable amount of the requirements during the emergency period. While the risk of shortages can be greatly reduced by increasing the safety stock level, it would not be economical to make additional investment in safety stock if the chance of shortages is small.

c. When establishing safety stock levels, the risk of shortages is not the only consideration. Some of the other considerations that will influence the decision are:

(1) **Essentiality**: How essential is the item and what are the consequences of not having it available to meet demands?

(2) **Inventory value**: What is the cost of the item? How will your safety stock impact your effort to keep the inventory value down?

(3) **Local acquisition**: Can the item be acquired locally? If the need arises, can emergency acquisitions be made in a reasonably short period of time? and

(4) **Storage space**: How will the safety stock impact on storage space available to you?

d. In computing a quantity for the safety stock level, you will need to know what the average future monthly issue for the item will be. The stock quantity required for safety stock purposes can be determined by multiplying the expected future monthly issue rate by the number of months of safety stock to be kept.

e. The following example shows the computation of the safety level quantity for an item having an average monthly issue of 10 and a safety stock level of one month.

Issues Last 6 Mos.	Average Usage Per Mo.	Months in Safety Level	Safety Stock
60	10 (60 divided by 6)	1	10

(D) Minimum and Maximum Levels

a. **Minimum stock level**:

(1) The total of the lead time and safety stock levels for an item constitute the minimum stock level (reorder point). After all of the operating stock has been issued, the item will be down to the minimum stock level. A

replenishment order should then be placed before the stock falls below the minimum level;

(2) The following is a computation of quantities for the minimum stock level for an item with an issue rate of 10 per month, a two-month lead time, and a one-month safety stock:

Stock Level	Supply/Month	Minimum Required
Safety	1	10 (10 per mo. x 1 mo.)
Lead Time	2	20 (10 per mo. x 2 mo.)
Total	3	30

(3) In the example in subparagraph (2) of this section, when the level of stock on hand reaches 30 or below, the stock should be reordered. If the order is placed at the time the stock level reaches 30, there should be 20 on hand to last during the period that the order is being processed and shipped by the supplier (lead time), and 10 on hand as a cushion in case it takes longer than the expected two months to receive the stock (safety stock).

b. **Maximum stock level**:

(1) The maximum stock level is the total of the safety stock level, the lead time level, and the operating stock level. In order to know how much stock to order, you first must establish the maximum level. The combined total of stock on hand and on order should not exceed that level;

(2) The following is a maximum stock level computation for an item on a three-month reorder cycle with an issue rate of 10 per month and an operating stock of three months:

Stock Level	Months of Supply	Stock Required for Maximum Stock Level
Safety	1	10 (10 per mo. x 1 mo.)
Lead Time	2	20 (10 per mo. x 2 mo.)
Operating	3	30 (10 per mo. x 3 mo.)
Total	6	60

(E) Determining Re-Order Quantity

a. The quantity to be ordered is the difference between the maximum stock level and the total of the stock on hand and on order, plus any existing back orders.

b. Following is a computation for reordering the above item when the stock balance on hand is zero, the quantity on order is 30, and there are back orders on hand for eight:

Maximum Level	**60**
On Hand and On Order	**30**
	30
Back Order	**+8**
Quantity to be Ordered	**38**

14 FAH-1 Exhibit H-415.4
FORM OF-131
STOCK CONTROL CARD

(CT:PPM-1; 08-11-2004)

(1) STOCK NUMBER	(2) DESCRIPTION	(3) UNIT ISSUE	(4) STOCK LOCATION
7510-00-223-6810	clip, binder, 1/4 inch	BX	

(5) DATE (mm-dd-yyyy)	(6) ISSUE TO	(7) QUANTITY ISSUED	(8) BALANCE	(9) QUANTITY RECEIVED
03-06-2000	Inventory		14	
03-18-2000	Econ	2	12	
04-09-2000	USAID	4	8	
05-14-2000	Political	3	5	
06-24-2000	inv. adjust.	2	3	
07-19-2000	Medical Unit	2	1	
09-10-2000	192666-1177		25	24
10-04-2000	Dept. of Agric.	2	23	

STOCK REPLENISHMENT DATA

(10) Unit of Order	(11) Minimum Level	(12) Maximum Level
BX	16	40

Date (mm-dd-yyyy)	Requisition Number	Usage Last 6 Mo.	Quantity Ordered	Quantity Ordered	Date Rec'd (mm-dd-yyyy)
06-26-2000	192666-117	40	24	24	09-09-2000
(13)	(14)	(15)	(16)	(17)	(18)

REMARKS:
Unit cost: 1.80
Supply Source: GSA
(19)

STOCK NUMBER	DESCRIPTION	UNIT ISSUE	STOCK LOCATION
7510-00-223-6810	clip, binder, 1/4 inch	BX	

STOCK CONTROL CARD

OPTIONAL FORM 131
(FORMERLY JF-26)
JANUARY 1975
STATE-AID

Continuation—14 FAH-1 Exhibit H-415.4

Data Field Preparation Instructions for Form OF-131

The data field preparation instructions below will assist in the preparation of Form OF-131. The data field numbers in the instructions correspond to the circled numbers in each field on the form.

Data Field

[1] Stock Number

Most items stocked by posts are acquired from the National Supply System and will have a pre-assigned General Services Administration (GSA) or DLA 13-digit National Stock Number (NSN). The pre-assigned National Stock Number should always be used in this field. If local stock numbers are being assigned to items not having a NSN, enter that number here.

[2] Description

For easy identification, standardized descriptions should be used when establishing stock control records. Use the main noun name, in capital letters (e.g., LETTERHEAD, PENCIL, etc.), in the first position, followed by qualifying adjectives, in lower case type, generally describing the item (this is also the format usually used in the GSA catalog). The description should be complete enough to identify the items, but not excessively detailed.

USAID only: For nonexpendable property, place the item's Object Class, Control Number, and FSI Code in this block. Separate these numbers with a dash (for example, 311-3250-71).

[3] Unit of Issue

Enter the unit in which the item is issued to the customer. Although this generally will be the same as the unit in which the item is ordered from the supplier, that may not always be the case. It may be necessary to issue some items in lesser amounts than the quantities received as units of issue from the supplier. For example, it may be more practical to issue single copies of forms instead of issuing them by the package. If the item is ordered from the supplier in another unit, remember to convert to the correct unit of issue before making an entry in this field.

[4] Stock Location

If a location system is used, enter the location of the item.

[5] Date

Enter the date on which the action document is posted.

Continuation—14 FAH-1 Exhibit H-415.4

[6] Issued to

Enter the office symbol for the ordering office and the control number assigned to the order by the general services office. When residence property is being issued, enter the residence identification and customer order number. If a receiving report is being posted for new stock, enter the appropriate requisition number (field **[14]**). If a receiving report is being posted for a receipt resulting from a return to stock, enter "Turn in." Enter "inventory" or "inventory adjustment" when posting inventory results.

[7] Quantity Issued

Enter the number of units of issue (field **[3]**) requested on the requisition/supply request.

[8] Balance

Enter the balance left on hand after the item is issued. For issues, the balance is arrived at by subtracting the quantity of units of issue entered in the issued field (field **[7]**) from the previous balance on hand. If a receiving report is being posted, add the quantity received, in units of issue (field **[3]**) to the previous balance.

[9] Quantity Received

Enter the quantity received. For new stock received, this will be the same unit of issue used for the quantity in field **[17]** of the stock replenishment portion of the card, providing that the post unit of issue and the vendor unit of order are the same. If they are not the same, convert to the post unit of issue before making an entry here. If it is turn in stock that is being posted, make sure that the quantity entered reflects the correct unit of issue (field **[3]**).

[10] Unit of Order

Enter the unit in which the item is ordered from the supplier. When reordering a stock, the number of units of issue (field **[3]**) needed as stock replenishment will have to be converted to the supplier's unit of order.

Continuation—14 FAH-1 Exhibit H-415.4

[11] Minimum Level

This field should be used for expendable property but is not necessary for nonexpendable property. Enter the minimum stock level in pencil because it will probably need to be changed periodically. See 14 FAH-1 H-419.2-3(D), paragraph a, for instructions on computing the minimum level. If the unit of issue differs from the unit of order (supplier's unit issue), the entry here should be based on the post's unit of issue. Convert to unit of order when replacement is prepared.

[12] Maximum Level

This field should be used for expendable property but is not necessary for nonexpendable property. Enter the maximum stock level in pencil because it will need to be changed periodically. See 14 FAH-1 H-419.2-3(D), paragraph b, for instructions on computing the maximum level. If the unit of issue differs from the unit of order (supplier's unit issue), base the entry on the post's unit of issue. Convert to unit of order when replacement order is prepared.

[13] Date

Enter the date of the acquisition document. Fields **[13]** through **[18]** are used to record replenishment data. When a replenishment order is being entered, be aware that the total quantity ordered may not all be received at the same time and, in fact, partial deliveries may be received at several different times. Therefore, if another stock replenishment order is entered before all stock is received on the previous order, skip a few lines so that receipts from the previous order can be entered.

[14] Requisition Number

Enter the number of the replenishment order. If the order was submitted to GSA or DLA, enter the activity address code and the Julian date of the requisition. If the order was to another U.S. Government source (INS forms, etc.), enter the requisition or control number assigned by the post. If the order was a purchase order to a commercial vendor, enter the purchase order number. If it was a petty cash transaction, enter the words "petty cash."

Continuation—14 FAH-1 Exhibit H-415.4

[15] Usage Last 6 Mo.

In order to maintain accurate minimum and maximum stock levels, periodically review the usage rates of stock items. The recommended time frame for this is every six (6) months. When the time for review arrives, it is best to suspend posting operations and do a review of all of the cards at one time. Total up the item issues recorded in field **[7]** for the past six months and enter that figure here. Alternatively, the usage review can be accomplished each time the reorder level is reached.

[16] Quantity Ordered

Enter the quantity ordered in units in which it is acquired from the vendor and which appears on the acquisition document. This may not be the same as the post unit of issue.

[17] Quantity Received

Enter the quantity received, in units, in which it was acquired from the vendor and appears on the acquisition document. This will be the same as the unit used for the quantity in field **[16]**.

[18] Date Received

Enter the date of receipt from the receiving report.

[19] Remarks

The remarks field can be used to record information for which there is no field on the card. Following are two examples of related information that can be entered:

Unit cost: This field can be used to record the issue cost of the item. The cost should be kept current. To do this, any order related documents should be reviewed each time they are received so that price changes can be captured. General Services Administration (GSA) and DLA status forms, and vendor packing lists and invoices are a good source for this information. Because of continuing price changes, it is recommended that catalogs not be used when current costs are available on other order related documents.

Continuation—14 FAH-1 Exhibit H-415.4

If a price change did occur, the average unit cost of stock on hand should be computed and used as the new issue cost. For example, if the balance on hand is 10 with a total value of $10.00, and 20 are received at a cost of $2.50 each, the average cost is $2.00 (see below).

Received	Unit Cost	Balance on Hand	Value on Hand
		10	$10.00
20	$2.50	30	$60.00
			(20 x $2.50 + $10.00)

The average cost is computed by dividing the total value on hand ($60.00) by the balance on hand (30).

Supply Source Information: This field can be used to record supply source information such as vendor name, vendor catalog page, etc.

14 FAH-1 Exhibit H-419.2
QUARTERLY REPLENISHMENT

(CT:PPM-1; 08-11-2004)