



# BFB-BUS-54: Operating Guidelines for University Supply Inventories

<b>Responsible Officer:</b>	AVP - Chief Procurement Officer
<b>Responsible Office:</b>	PS - Procurement Services
<b>Issuance Date:</b>	6/30/1987
<b>Effective Date:</b>	6/30/1987
<b>Scope:</b>	All Campusus, Medical Centers, and the Lawrence Berkeley National Laboratory.

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## I. POLICY SUMMARY

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This bulletin establishes basic guidelines for maintenance and control of supply inventories within the University, e.g., central stores, department storerooms, production facilities, and similar functions to provide effective service and to maintain a high utilization of University resources.

University stores operations both central and departmental, are service functions that maintain large inventories to aid teaching, research, and public service programs. The operating guidelines established herein apply primarily to these inventories. Substantial inventories are also maintained to support University production facilities; e.g., physical plant, reprographic departments, machine shops, and manufacturing laboratories.

University supply inventories are established to give prompt service and to obtain the economies available from aggregating demand and consolidating distribution and administration. They shall be subject to comprehensive, auditable material and

financial control procedures. University inventory investment and administrative expense should be kept to the minimum consistent with need.

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## II. DEFINITIONS

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**SUPPLY INVENTORY**: Supply inventories exist when the combined inventory value of new and unissued material in a department exceeds \$50,000 at one or more locations on a campus or exceeds \$50,000 at an off-site campus location.

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## III. POLICY TEXT

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- A. **SCOPE**: The provisions of this bulletin apply to supply inventories held for use or issue within the University when the combined inventory value of new and unissued material in a department exceeds \$50,000 at one or more locations on a campus or exceeds \$50,000 at an off campus location.

This bulletin does not apply to the major laboratories operated under contract with the [U.S Department of Energy \(DOE\)](#) or to University activities selling to non-University customers (e.g., book stores, gift shops, pharmacies). These inventories are the only University inventories not subject to the provisions of this bulletin.

- B. **USE OF UNIVERSITY SUPPLY INVENTORIES**: Materials carried in University supply inventories are for the exclusive use of university departments. These departments should be encouraged to utilize to the fullest extent practical, those supply inventories which provide the goods or services which they are requisitioning. Other (e.g., non-University) not-for-profit organizations and activities, with the approval of the Chancellor, may be permitted to requisition from those stocks, unless the material being requested was obtained by the University under its Federal Excise Tax Exemption (See [FAR Subpart 29.201/Federal Excise Taxes/General Exemptions](#)) or is Tax-Free Ethyl Alcohol, in which case transfer is prohibited (See Business and Finance Bulletin BUS-2/Tax-Free Alcohol Permits, Records and Operations).
- C. **SUPPLY INVENTORY MANAGEMENT AND CONTROL**: Inventories are to be maintained at levels which will provide a service level commensurate with bona fide user need and at the lowest ultimate cost to the University. An item should be placed in stock when usage is repetitive and/or there is a net economic advantage to the University which more than offsets the cost of handling as a stores item or when the requisitioner's service requirement cannot be met by direct shipment from the supplier.

Adequate safeguards should be provided to protect University supply inventories from pilferage or other loss. Inventories are to be verified by physical count at least annually, preferably on a cyclical basis.

Stock adjustments are to have the signed approval of the Materiel Manager or designee who must not be the individual responsible for the inventory. Large adjustments shall be supported by an explanation.

Requisitioners are allowed to return excess materials to inventory for credit providing they are in like-new condition suitable for reissue. An equitable restocking charge may be established.

- D. INVENTORIES FOR CONTRACT OR GRANT ACTIVITIES:** Temporary inventories may be on hand for particular contract or grant funded projects or programs. However, activities funded by contracts and grants should not use such funds for acquiring supplies and materials for recharge to other users. Contract and grant funds should be charged only for supplies and materials used on each project or program. All Federal projects are to be credited for any excess material obtained that was expensed but not consumed during the project (Reference OMB Cir. No. A21, Par. 21). All such credits shall be borne by the department in which the contract or grant activity is located.
- E. OPERATING PROCEDURES:** Operating procedures are to be developed and maintained by the administrative officer or designee responsible for any supply inventory covered by this bulletin, subject to approval by the campus Materiel Manager.
- F. FUNDING OPERATIONS:** The operating expenses of a store inventory are to be funded from a markup on the cost of goods sold and/or charges for services performed, so as to recover all elements of cost. For production and manufacturing operations, the procurement, storage, and handling costs of a raw materials inventory, as well as all other production costs, are to be included and recovered in the selling price of finished goods (Business and Finance Bulletin A-47, University Direct Costing Procedures).
- G. PRICING MATERIALS OR SERVICES:** Prices for materials or services are to be determined by an equitable method that is uniform to all requisitioners.
- H. AUTHORITY TO APPROVE REQUISITIONS:** Hard copy requisitions must have the signed approval of a person specifically authorized to do so by a department chairperson or his or her equivalent. It is the responsibility of the requisitioning department to review orders for unusual quantities, accuracy, and proper signature authorizations by establishing adequate controls to ensure existence of a complete audit trail.
- I. ESTABLISHING AND DIRECT ORDERING AGAINST AGREEMENTS:** The

Materiel Manager should delegate authority to the individual responsible for a supply inventory to place orders for stock or issue directly with designated suppliers for items under University or campus agreements.

Strategic Sourcing Commodity Managers should establish with suppliers that reflect the price savings for supply inventories that bulk order quantities, reduced delivery and administrative costs provide. For certain high-volume items, University and campus agreements may be specifically designed to consolidate the activities of order placement and delivery within a small group of authorized users if that is cost effective. To the extent practical, agreements shall optimize opportunities for business contracting with small business enterprises, particularly small disadvantaged and women's business enterprises.

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## IV. COMPLIANCE / RESPONSIBILITIES

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### A. UC LOCATION RESPONSIBILITY:

1. **Chancellors:** Chancellors are responsible for implementing the provisions of this bulletin.
2. **Materiel Managers:** Coordination of all supply inventories that meet the criteria above shall be a centralized responsibility on each campus assigned through the Chancellor to the Materiel Manager. The Materiel Manager, as part of his or her coordinating responsibility, may review, question, disallow, subject to approval by the Chancellor, departmental supply inventory practices, policies, and procedures.
3. **Administrative Officer:** The authority delegated to the Materiel Manager, at the option of the Chancellor, may be either a coordinating responsibility or direct operating responsibility. If an administrative officer other than the Materiel Manager is assigned this responsibility, these guidelines are also applicable to that individual.

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## V. PROCEDURES

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A. **SCOPE:** A supply inventory is to be administered as a service enterprise or, if it serves a single organizational unit, it is to be included in the account structure of that unit. For production and manufacturing operations, job-charged primary materials work-in-process inventories, and finished goods inventories are considered issued material. Although the provisions of this bulletin are mandatory for supply inventories that meet or exceed the criteria, these guidelines may also be applied to other inventories at campus option.

B. **INVENTORY MANAGEMENT AND CONTROL:** The stock selection in supply

inventories should be regularly reviewed to assure that the use pattern qualifies the item for continued retention. Obsolete and inactive items should be liquidated promptly to minimize losses. When an item qualifies for stocking, but its use is controlled by a single user, a commitment should be obtained that if the material becomes obsolete or its use is discontinued, any liquidation costs for remaining stock will be to the user. Every effort must be made to minimize such charges.

Standardization is to be encouraged on those item fulfilling a required function at the lowest cost by continuing analysis of requisitioner needs.

Requisitioners are allowed to return excess materials to inventory for credit providing they are in like-new condition suitable for reissue. An equitable restocking charge may be established.

- C. **OPERATING PROCEDURES:** These operating procedures should provide comprehensive material and financial controls consistent with the guidelines of this bulletin and the individual department needs, and should be coordinated with other administrative functions, when applicable, (e.g., Accounting, Physical Plant, etc.).
- D. **PRICING MATERIALS OR SERVICES:** Prices may be established to reflect quantities ordered or the value of services furnished. When a markup is charged, a variable or adjusted markup may be applied to achieve competitive pricing or to reflect operating economies; however, excessive requisitioner stocks are not to be encouraged.
- E. **AUTHORITY TO APPROVE REQUISITIONS:** Campuses may establish procedures for placing, accepting, and processing unsigned storehouse orders via telephone, teletype, or other electronic data processing equipment. Such procedures will include provisions for adequate controls to ensure the existence of a complete audit trail regardless of order method.
- F. **ESTABLISHING AND DIRECT ORDERING AGAINST AGREEMENTS:** Strategic Sourcing Commodity Managers should establish with suppliers that reflect the price savings for supply inventories that bulk order quantities, reduced delivery and administrative costs provide. For certain high-volume items, University and campus agreements may be specifically designed to consolidate the activities of order placement and delivery within a small group of authorized users if that is cost effective. To the extent practical, agreements shall optimize opportunities for business contracting with small business enterprises, particularly small disadvantaged and women's business enterprises.
- G. **DISCONTINUING SUPPLY INVENTORIES:** When the value of a supply inventory or the total value of supply inventories within a department falls and remains below \$50,000 for an entire fiscal year, the campus may initiate action

to discontinue that supply inventory's status.

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## **VI. RELATED INFORMATION**

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[Business and Finance Bulletin A-47, University Direct Costing Procedures.](#)

[Business and Finance Bulletin BUS-43/Materiel Management.](#)

[Office of Management and Budget/Circular A-21 \(Revised 5/10/2004\).](#)

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## **VII. FREQUENTLY ASKED QUESTIONS**

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Not applicable.

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## **VIII. REVISION HISTORY**

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This policy was reformatted into the standard University of California policy template effective July 1, 2012.

Revision to BUS-54/Operating Guidelines for University Supply Inventories, July 1, 1987.

Issuance of BUS-54/Operating Guidelines for University Supply Inventories, Date Unknown.