



SECTION VIII

WAREHOUSING

A. GENERAL CONSIDERATIONS

Investing in a warehouse facility can lead to savings in supply expenditures, quality control and prompt distribution of supplies. Generally, the size of the institution dictates the amount of warehouse space recommended. Efficient and economical management of supplies depends on the establishment and operation of a functional system of receiving, storage and distribution.

1. Location

It is best to choose a warehouse location that is:

- a) Central** — near the administration offices and in close proximity to other school sites is recommended.
- b) Accessible** — with easy access for truck traffic to minimize traffic hazards. The receiving area should be accessible to trucks with dock height for unloading.
- c) Safe** — in an area of the city that affords adequate fire and police protection.
- d) Convenient** — to facilitate the establishment of regularly scheduled supply delivery routes to all schools.

2. Layout/Size

Adequate storage space depends upon the scope of the warehousing function as measured by:

- a) Frequency of delivery to schools;
- b) Types of materials, supplies and equipment to be stored;
- c) Number of locations to be served;
- d) Estimated enrollment growth and future building expansion;
- e) Types of material handling equipment to be used

If only small items are to be stocked in inventory, then a metal open shelving system is sufficient. If larger supplies such as paper and custodial supplies are to be inventoried, then a pallet rack system is desirable. Whichever system is utilized, consideration must be given to the weight bearing capabilities of the system. If a pallet rack system is used,

provision must be made for some type of lift truck so that supply items can be placed on the upper racks.

3. Inventory Systems

Adequate stock location control promotes rapid selection of stock for issue and maximizes the utilization of available warehouse space. However, a small warehouse may not require a formalized stock locator system.

Systems can be as simple as shelf tags, signs and floor plan designations to identify materials and supplies by classification. Automated systems are available that allow immediate information to all end users. The size of the warehouse operation and the experience level of the personnel will dictate the complexity of the inventory system.

All systems should address the following:

- a) Method of locating and selecting stock** — which will enable warehouse personnel to determine locations, consolidate storage and plan for future changes.
- b) Floor plan of the building** — which indicates location of materials and supplies by identification symbols should be maintained in the warehouse office.
- c) Method of identification** — For an open storage area, a simple sequence method of identifying and marking the primary storage locations can be established by a combination of letters and numbers.
- d) Marking items** — Shelving and bin storage spaces can be identified by row numbers and bin tags or signs indicating the item classification group or stock.
- e) Filing system** — Stock locator card file systems are frequently maintained in the offices of large volume warehouses. The stock locator card is used to record individual item locations with a separate card for each item stocked and filed by stock number.

B. FREIGHT CHARGES

When possible, freight charges should be negotiated into the purchase price of the material. The title to the goods changes hands at the F.O.B. (Free on Board) point. The most common form of shipment is "F.O.B. destination," in which the seller assumes the expense and liability for transporting the merchandise.

If the goods are "F.O.B. shipping point," they become the property of the buyer as soon as they are loaded into the freight truck. This means insurance, freight, and all other problems become the responsibility of the buyer. The vendor may, as a courtesy, take care of these, but in case of damage the goods are the property of the buyer.

If the sales agreement includes the phrase "seller to delivery," the seller assumes all risks until the goods are delivered and the buyer takes possession. If the buyer returns the goods because they do not conform to requirements, the seller assumes the risk of loss until the problem is corrected or the buyer accepts the goods.

C. RECEIVING

1. Steps to take at time of delivery to protect against loss or damage.

- a) Verify the actual number of received items** — against the delivery ticket, and the purchase order receiving copy. If shortage is discovered, note exactly how many items are short on the carrier's delivery receipt and have the driver note the shortage on the receiving copy.
- b) Carefully examine each carton for damage**— If damage is visible, note on delivery receipt and have driver note on the receiving copy. If it appears that the carton should be opened immediately, the receiver and driver shall make a joint inspection of contents. Any concealed damage discovered should likewise be noted on delivery receipt and on the receiving copy.
- c) Note any damage on delivery receipt** — If carton is even slightly damaged, note on delivery receipt. The driver should not be given a clear delivery receipt (one signed without exception) if there is the slightest crunch, crease, scuff or puncture on any carton. It is vital that the condition of any bruised or damaged cartons - such as "slight crush, top right corner"- be noted on both copies of the delivery receipt.
- d) Inspect for concealed damage** — Immediately after delivery, open all cartons. Even if the driver has left, all cartons should immediately be opened and the contents inspected for concealed damage.

2. In Case of Visible or Concealed Damage

- a) Retain all delivery receipts and original shipping cartons.
- b) Retain damaged items. Not only must damaged items be held at the point where received, but the container and all inner packing materials must be held until an inspection is made by a carrier inspector.

- c) Notify the Purchasing Department (or designee). Visible or concealed damage must be reported to the carrier within 15 days or there is no legal basis for a claim. Do not return damaged material to supplier without obtaining authorization from the Purchasing Department.

3. Carrier Inspection of Damaged Items

Have damaged items brought to receiving area. Make sure damaged items have not been moved from receiving area prior to inspection of the damage. Allow inspector to inspect damaged items, cartons, inner packing materials and freight bill. Be sure to retain the delivery receipt as it is necessary as a supporting document when a claim is filed.

D. ASSET INVENTORY / APPRAISAL

Knowing the market value of assets such as: property, buildings, equipment, and furniture is essential. It is important to:

1. *Have values that are current, valid and supportable.* Accurate appraisal and inventory of all assets will be invaluable in the event of major loss.
2. *Review and update the appraisal documents annually.* At the end of each fiscal year, the district auditors require a physical inventory of the warehouse. The physical inventory is then compared to the inventory computer records.
3. *Resolve any large discrepancies.* Prepare the inventory of goods in a format acceptable for submittal to the auditors listing each item, quantity, value and total value.

1. Values

Depending on the purpose of the appraisal, the value of the asset may be determined by:

- a) Fair Market Value** —The amount of money that may reasonably be expected to currently purchase the asset.
- b) Liquidation Value** — Any amount of money that may reasonably be expected assuming the entire facility would be sold intact.

2. Personal Property

The market value of personal property, including machinery, equipment, furniture and buildings can be determined by following these suggested steps:

- a) Define the purpose of the appraisal: insurance, auditing, etc.

- b) Inventory the property by category, type, size, age, manufacturer, purchase price and serial number.
- c) Evaluate the condition by personal inspection including physical wear and tear, efficiency, and maintenance.
- d) Evaluate the market for similar assets that have been exchanged to meet a similar function, including prices, location and availability.
- e) Define the appropriate market value of the asset.

3. Professional Appraisal

The service of a professional appraisal company to periodically take the inventory and appraise all assets is recommended. The value of a professional appraisal company lies in its experience, reputation and expertise.

The appraisal company should be realistic about the asset value, be supported by up-to-date equipment and provide detailed information for each asset to ensure complete documentation. Information should be handled in a confidential and secure manner. The report should be accompanied by procedures for additions, deletions and transfers of equipment that may occur in following years. This document should meet the needs of insurance companies and auditing professionals.

Labeling assets can be a part of the initial inventory process and will provide an on-going tracking system for each asset. Software packages are available for inventory and asset management.

Keeping track of assets can be as simple or as complex as the individual institution desires. It is important to determine why the information is required and create a system to meet that need.

E. DISTRIBUTION

When a warehouse is established as a central receiving point, it also becomes the central distribution center. Just as the receiving function is controlled by the purchase order, the distribution function is controlled by an approved requisition. No matter what item is distributed out of the warehouse, a delivery copy of the requisition should accompany the order.

1. Requisition

Stock order process

- a) Send approved original and delivery copy of requisitions to the warehouse as a request.
- b) Pull supplies and set them aside.
- c) School personnel deliver and sign for the supplies.
- d) Leave the delivery copy of requisition with the supply order.
- e) Forward original signed copy of requisition to inventory control for recording.

2. Delivery Schedules

Distribution of supplies should be made on a set schedule based upon the needs of the institution. The most important factor in scheduling is consistency. All locations involved should be informed of the schedule to ensure cooperation and efficient deliveries. After the delivery schedules are set, the delivery person and an appointed receiving person at each location should be available at a specific delivery point. This ensures the delivery person that the required signature will be available and ensures the recipient that the delivery will result in minimal time lost from other duties.

3. Emergency Delivery Procedures

Deviation from any set schedule is to be expected. As a service support unit to ensure smooth running educational programs, flexibility is important. Emergencies must be expected and handled as cooperatively and routinely as possible.

F. BAR CODING

Bar Coding is an asset management system that is easy to use, accurate and less time consuming than traditional tagging inventory systems. It is a system that integrates bar codes and PC technology for real-time inventory control.

Cost savings realized with the use of a bar coding system include:

1. Reduced inventory time.
2. Decreased manpower requirements for inventory and asset control.
3. Increased inventory frequency.

4. Increased inventory accuracy levels.
5. Accurate insurance levels that either reduce premiums or verify the need for increased insurance based on actual cash value or replacement value.
6. Maximum asset utilization through reallocation of surplus items.

The capabilities of a bar coding system include:

1. Tracking acquisitions by asset tag, item code, owner, building and account.
2. Tracking assets by asset code, item code, equipment class, building and owner.
3. Tracking multiple funding sources for individual assets.
4. Tracking linked assets by asset tag, owner and building.
5. Tracking repair history.
6. Tracking surplus items.
7. Tracking disposals by asset tag, item code, owner, building and account.
8. Identifying replacement costs.
9. Providing account records.
10. Permitting long range planning for the purchasing function.

G. ALTERNATIVES TO WAREHOUSING

Distribution centers are the foundation of a “supply network” as they allow a single location to stock a number of products. The primary role of a distribution center is to receive large quantities of products and ship small quantities to individual sites. However, inventory represents an investment in stock and the associated carrying costs. Reducing processing time can directly reduce the amount of inventory necessary to be stocked.

Traditional warehousing has declined in recent years due to the introduction of decentralized inventory systems. A decentralized inventory system, commonly referred to as a “just in time” system, works by delivering the product directly from the supplier to the end

user and bypassing the need to warehouse the item. A decentralized storage and warehousing system allows each individual school to receive and store all materials needed by that school.

Advantages of a decentralized system include:

- 1. Reduces school district supply costs** — by reducing or eliminating intra-district deliveries and operating costs of a central warehouse.
- 2. Reduces administrative and clerical costs** — for a central warehouse; however, results in more school unit duties for administrative and clerical staff related to processing of order, inventory and control.
- 3. Reduces storage costs** — Due to limited storage space in schools, storing large volumes of supplies may not be feasible and it may actually be less expensive to provide limited school storage space than to build a warehouse.
- 4. Eliminates need for a central warehouse** — through standard purchasing contracts with vendors providing periodic deliveries throughout the year. This, in effect, uses the vendors' storage as an extension of the school system's storage facilities.
- 5. Reduces waste** — by making frequent purchase of supplies delivered directly to the user at the school location.

Each school should consider their storage space, vendor capabilities to deliver on an as needed basis, vendor pricing and the costs associated with the functions of maintaining a warehouse.