

# **MAINTENANCE GUIDEBOOK I - MAINTENANCE PROGRAMS**

## **CHAPTER EIGHT - INVENTORY AND PROCUREMENT**

### **SECTION A PROGRAM**

Because inventory and procurement activities can affect the productivity of maintenance staff, it is important to have an adequate inventory of materials, spare parts, and appliances. It should be ensured, however, that inventories do not get too large, which would unnecessarily tie up funds which could be used for other important items. Excess inventory would also take up storage spaces which are normally limited in smaller HAs. These issues should be considered by a well-run HA.

### **SECTION B INVENTORY-CONTROL SYSTEM**

An inventory-control system should identify all materials, supplies, and equipment required to ensure continuity in the maintenance operation. The HA should keep records of all items in stock, and should know how many items are normally needed, when to reorder, and when and where each item is used. Each inventory item should be assigned a part number, and a maximum and a minimum inventory (the latter will indicate the need for reorder). Maintaining an economical supply should be based on experience, historical information, general availability, and lead times.

When items are purchased, a copy of the purchase order is sent to the stockroom, where an authorized person should check the delivered materials against the purchase order to verify that the correct items and quantities are received. The materials are then stored in the proper location and entered into the inventory or accounting system (depending on how the HA tracks and accounts for inventory items). This transaction should take place within 24 hours of receipt, at the latest, to ensure that in the case of discrepancies and damages, the vendor can be held responsible. Any warranty received with the delivered items should be maintained and enforced by the HA, when necessary.

Materials should only be issued by authorized personnel, and only for an approved work order or a stock-replenishment request (in the case of maintenance-truck inventories or secondary stockrooms). Issued materials should be deleted from the inventory or accounting system.

A purchase requisition for stock and non-stock items is generated by the Maintenance Supervisor, Foreman, or another authorized person, when an item reaches its established minimum-inventory level or when it is not stocked. The requisition is sent to the person who ensures that funds are available and issues a purchase order to the selected vendor, with a copy to the stockroom. When the material is received and inspected, the packing slip is matched against the purchase order for verification. The

matched purchase order, receiving document (if one other than the purchase order is used), and packing slip are forwarded to Accounts Payable.

## **SECTION C PROCUREMENT SYSTEM**

Procurement should be conducted according to an HA's procurement policy and reflect requirements of HUD regulations at 24 CFR 85.36, contained in the HUD Handbook 7460.8 REV-1. HAs must:

- Have a written procurement policy;
- Have a contract-administration system;
- Have a written code of standards of conduct;
- Award contracts only to responsive and responsible contractors;
- Maintain sufficient written records to support all procurement.

HUD regulations provide for four basic procurement methods: small purchases, sealed bids, competitive proposals, and non-competitive proposals. As a guideline, the following may be helpful:

- Petty Cash—Used for purchases under \$500.
- Small Purchases—Less than \$1,000, requires only one quotation if the price is reasonable.
- Purchases over \$1,000 but less than \$25,000 (or a lesser amount, if required by state procurement law)—Requires a sufficient number, but not less than three price quotes—in person, by telephone, or in writing—which are to be documented in the procurement file.
- Purchases over \$25,000—Must be formally advertized.

Procurement is one of the most important functions HAs perform. It is essential that the Executive Director, Maintenance Supervisor or Foreman, or any other authorized personnel involved in the procurement activities be thoroughly familiar with and follow the HUD regulations at 24 CFR 85.36 and the established procurement policy and procedures of the HA.

## **SECTION D RECORDS**

The records required for inventory control and procurement are the work order, purchase requisition, purchase order, and the stock-replenishment request. (Refer to Chapter Seven for information on work orders.) The purchase requisition can be formatted to suit the needs of an individual HA, but should contain at least the following information:

- Date,
- Requestor's name,
- Item name and description,
- Part number,

- Quantity,
- Suggested vendor (if known),
- Date required,
- Comptroller's signature,
- Approval signature.

The purchase order can also be formatted to suit the needs of an individual HA, but it should be at least a three-part form. One part will be kept by Purchasing, one will go to the stockroom for use in receiving materials, and one will go to Accounts Payable after material is received and verified. The form should contain at least the following information:

- Date,
- Ship-to address,
- Bill-to address,
- Vendor name,
- Vendor address and telephone number,
- Item name and description,
- HA part number,
- Vendor or catalog part number,
- Quantity,
- Due date,
- Unit and extended price,
- Discounts (if applicable),
- Special shipping instructions (as needed),
- Payment terms,
- Authorized purchasing agent signature.

The stock replenishment requisition is a simple form used for internal tracking of inventory movement from the stockroom to a maintenance truck inventory or a secondary stockroom. This form should contain the following information:

- Date,
- Truck or stockroom identification,
- Item name and description,
- Part number,
- Quantity,
- Approval signature.

Sample forms have been included in Appendix F for review or for use as models.

#### END OF CHAPTER EIGHT