

 <p><b>CD-023400</b></p>	<p align="center"><b>NEW MEXICO CORRECTIONS DEPARTMENT</b></p> <p align="center"><i>"We commit to the safety and well-being of the people of New Mexico by doing the right thing, always."</i></p> <p align="center"><b>Courage Responsibility Ethics Dedication - CREDibly serving the public safety of New Mexico</b></p>			
	<p><b>ISSUE DATE:</b> 10/23/89</p> <p><b>EFFECTIVE DATE:</b> 10/23/89</p>	<p><b>REVIEWED</b> 04/30/18</p> <p><b>REVISED:</b> 05/14/15</p>		
	<p><b>TITLE: Supplies</b></p>			

**AUTHORITY:**

- A. NMSA 1978, Sections 9-3-1 to -12, as amended.
- B. NMSA 1978, Section 33-1-6, as amended.
- C. NMSA 1978, Section 13-6-1 to 2, as amended.

**REFERENCES:**

- A. Policy *CD-010100*.
- B. Policy *CD-131600*.
- C. ACA Standard 2-CO-1B-08 and 2-CO-1B-09, *Standards for the Administration of Correctional Agencies*, 2<sup>nd</sup> Edition.
- D. ACA Standards 4-4037 and 4-4038, *Standards for Adult Corrections Institutions*, 4th Edition.
- E. Department of Finance and Administration, Manual of Model Accounting Practices, Fin 4 – Purchasing, Fin 10 - Inventory.
- F. Corrections Department Capital Assets Manual.
- G. Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*.

**PURPOSE:**

- A. To set forth supplies inventory guidelines to be used by the Corrections Department's administrative offices and correctional institutions' Central Supply Warehouse services.
- B. To define the methods to be used by the warehouse services to provide adequate accountability of supplies inventory maintained in its Central Supply Warehouse.

**APPLICABILITY:**

All organizational units at the Corrections Department's central administration offices, its correctional institutions, and its probation/parole field offices.

**FORMS:**

- A. **Inventory Checklist** form (*CD-023401.1*)
- B. **Supply Inventory Obsolescence Report** form (*CD-023401.2*)
- C. **Supplies Inventory Disposition Request** form (*CD-023401.3*)

**ATTACHMENTS:**

None

**DEFINITIONS:**

- A. Central Supply Warehouse: The organizational component charged with the responsibility of ordering and purchasing bulk supplies and forms for use by other organizational units within the Department.
- B. Disposition of Obsolete/Damaged Inventory Items: Disposition can take the form of returns, trade-ins or credits, transfers, donations or landfill.
- C. Formal Inventory: Annual physical count of all supply items taken to reconcile with the perpetual inventory records and to certify year-end balances for inclusion in the Department's Annual Financial Report.
- D. Obsolete/Damaged Inventory Items: Inventory items which are no longer in a useable condition due to obsolescence or damage.
- E. Perpetual Inventory: Records of all transactions for each stock item. Perpetual inventory records may be kept on a card system or a computerized system. Records shall include stock number, description, account code, fiscal year, purchase order number, organizational code, unit price, balances (beginning and ending), and minimum quantity reorder data.
- F. Personal Property: Generally, all property other than land or buildings (for example, materials, supplies, equipment, machinery, furniture, etc. costing less than \$5,000)

**POLICY:**

- A. The Corrections Department shall provide frequent and widely used supplies and forms to its functional units at cost.
- B. The Central Supply Warehouse is maintained for the purpose of gaining advantage in supply costs through bulk purchasing of items commonly used by Corrections Department units.
- C. The Corrections Department shall maintain a perpetual inventory system that will be maintained by the Warehouse Section. Accuracy of the records will be verified through an annual, formal physical count.
- D. Physical inventories for control of materials, supplies and other assets shall be conducted at time periods stipulated by applicable statutes, but at least on an annual basis. [2-CO-1B-08] [4-4037]

- E.** The requisition and purchase of supplies and equipment shall include at a minimum, the purchasing and criteria for the selection of bidders and vendors. **[2-CO-1B-09] [4-4038]**



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David Jablonski, Secretary of Corrections  
New Mexico Corrections Department

04/30/18  
Date

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**AUTHORITY:**

Policy *CD-023400*

**PROCEDURES:**

**A. Central Supply Warehouse Inventory: [2-CO-1B-08] [4-4037]**

1. The inventory of supplies shall be maintained by the Central Supply Warehouse in its perpetual inventory system.
2. The inventory forms shall be reviewed on a quarterly basis for updating purposes.
3. Items on inventory shall be requested in writing with reference to the appropriate stock number. The request shall be processed to the Central Supply Warehouse with appropriate approval authority signatures. The request form shall have the appropriate accounting data provided (activity number, organizational code, and account number). Receiving units will signify, in writing, acceptance of items requested and delivered.
4. Accounting for inventories maintained by the Central Supply Warehouse will adhere to the first-in, first-out (FIFO) accounting method (assumes goods are used in the order in which they are purchased). If supply inventories are kept using another inventory method, the business office shall indicate the method and reason FIFO is not being used on the Supply Checklist Report.
5. Perpetual inventory records shall be maintained and reconciled by the Supply Custodian on a monthly basis.
6. A physical inventory of stock shall be conducted annually to assure accuracy and accountability. Adjustments resulting from the physical inventory shall be made in a timely fashion only with the authorization of the supervisor of the Central Supply Warehouse and, in the case of the Corrections Department's central administration offices, the Director of the Administrative Services Division.
7. Minimum quantity reorder points shall be established for each item of inventory based upon its movement history and case-lot quantity.

8. Inventory items that become obsolete or damaged shall be removed from the perpetual inventory records and disposed of according to the requirements of Section D. of this procedure.

**B. Central Supply – Issues:**

1. At the time the order form is received, the Supply Custodian shall review the form to ensure proper accounting information is given. Items that should be completed by the requestor are:
  - a. Requested By;
  - b. Date Requested;
  - c. Approved By Supervisor;
  - d. Approved Purchasing (if appropriate);
  - e. Organizational Code;
  - f. Account Number;
  - g. Stock Item Checked Off; and
  - h. Quantity Requested.
2. The Supply Custodian rejects or accepts the order. If rejected, the order form is returned to the requestor with an explanation. If accepted, fills the order and posts the items to the perpetual inventory. The Supply Custodian shall reorder merchandise when the minimum quantity reorder point is reached.
3. When the order is delivered to or picked up by the requestor, the Supply Custodian shall explain the items not included. The requestor must acknowledge and date the receipt by signature.
4. Supplies shall be requested from the Central Supply Warehouse by use of a requisition. Orders will be processed by the units to the Supply Custodian on a weekly basis. Exceptions can be approved by the Business Manager and in the case of the Department's Central Administration offices, the Procurement Manager. The requestors may receive immediate or emergency issue by presenting requisitions directly to the Supply Custodian's supervisor. Telephone orders will not be accepted.
5. The Supply Custodian will compare the signature on the requisition form against a list of authorized signatures to ensure that proper authorization has been given for the requisition.

**C. Central Supply – Credits:**

Organizational units may return inventory items within two working days of receipt.

1. The Supply Custodian shall check the items received and determine the reason for the items being returned.
2. The Supply Custodian shall post credit to perpetual inventory. (This results in reversing the appropriate entry and recording a negative amount for the organizational unit.)

**D. Supervision responsibility for physical inventory shall be delegated to the person with the functional duties of purchasing manager, warehouse supervisor or inventory control manager. The Business Manager may assume total inventory responsibility or define areas by location with each area assigned a supervisor responsible for the inventory activities within that area. These responsibilities include:**

1. Preparation of area for inventory;
2. Supervision and training of area counters;
3. Acknowledgment of a complete and accurate inventory count;
4. Clean-up of area after inventory count;
5. Preparation of an inventory activity report with suggestions for improving the activity's inventory procedures.

The **Inventory Checklist** form (*CD-023401.1*) shall be completed by the Business Manager at the onset of the physical inventory.

**E. Physical Count:**

1. *The method of arranging an inventory before the physical count:*
  - a. Inventory will be segregated - style number, part number, line item, items out for replacement, or in some other way. Whenever possible, no supplies should be shipped in or out until after the physical count. Specifically, there should be no inventory issues for two days before the count. If this is not feasible, the items to be issued will be segregated. A designated area should be used for items received. In addition, items not owned by the activity should be segregated and accounted for separately by the activity that owns the inventory. The activity that owns the property will count the inventory and provide a copy of the count to the warehouse.

- b. Count sequence is determined and the inventory starting point is selected.

2. Method of Counting and Recording:

- a. When a physical inventory is taken, it ordinarily requires two people - one to call the count and the other to record it, or one to count the inventory and the other to check the count. At the minimum, there must be one person counting and one person verifying the count.
- b. The Business Manager makes a determination on the use of preprinted inventory sheets, hand written lists, tags or cards, and flow sequence for each method.
  - 1) Preprinted forms list all items stocked and are usually printed in the sequence the items are stocked in. Inventory counts and values are recorded directly on the pre-printed form by description. Optional notations, such as age or condition, can be made on the forms.
  - 2) Handwritten Lists can be preprinted, ruled or plain unlined paper. Handwritten lists are acceptable for taking inventory on sufficiently small inventories that should not be overlooked.
  - 3) Tags and Cards can be handwritten or pre-typed from inventory record cards prior to the start of inventory. They can be distributed in groups by location areas for pre-hanging or for use in counting inventory.
- c. The use of tape recorders, porta-punch machines or other recording devices must be cleared by Administrative Services Division (ASD), Financial Management Bureau (FMB) prior to their use. Since auditing is accomplished after the fact, unless a pre-selected group of items is listed with on-hand quantities to allow checking of actual count, recording devices will not be used.

3. Method of custody and control of preprinted inventory sheets, handwritten lists, tags or cards:

- a. The Business Manager will determine the employee who will have custody and how distribution will be made of all preprinted inventory sheets, handwritten lists, tags or cards.
- b. Upon conclusion of the inventory count, all preprinted inventory sheets, handwritten lists, tags or cards are to be submitted to the person supervising the count. The person supervising the count will indicate acknowledgement of a complete and accurate inventory count and provide the Business Manager with the original and one copy of all listings.

- c. Obsolete/Damaged Inventory Items shall be listed on the **Supply Inventory Obsolescence Report** form (*CD-023401.2*). These items shall NOT be included in the inventory count since they are not useable.
- d. If inmates are used, they must be closely supervised and their procedures closely observed. In no case is an inmate to be allowed to check the work of another inmate.

**F. Compilation of Lists:**

1. The verified count sheets are to be made available to the auditors.
2. Unit prices of each item shall be indicated (unit price should be recorded from the receiving report) for specific items. Items should be priced under the First-In, First-Out (FIFO) cost flow assumption (items left in inventory at fiscal year end are priced using the latest price information first). If supply inventories are kept using another inventory method, the business office shall indicate the method and reason FIFO is not being used on the Supply Checklist Report.
3. Extensions (Quantity x Unit Price = \$\$\$\$) should be indicated for each item and mathematical accuracy verified by a second person.
4. Lists should be segregated by line item, with sub totals by category.
5. Obsolete/Damaged Inventory Item lists shall be compiled and prepared in the manner indicated on form *CD-023401.2*.
6. A separate list of commodity receipts and issuances, with beginning and ending balances, is to be provided as part of the master list referred to in Item 7 below (*see form CD-023401.4*).
7. A master list summarizing the inventory by account and value is to be prepared and submitted to the Accounting Section two weeks after the physical inventory count is taken. Items listed by account should be totaled by category. Handwritten final listings are to be avoided.

**G. Exceptions to Formal Inventory:**

1. Certain Central Office Complex Divisions and Bureaus have a small supplies inventory stored in cabinets or closets. These cabinets and/or closets are stocked from Central Supply periodically.
2. Value of the supplies stored in these cabinets and/or closets is minimal.
3. Supplies inventory stored in these cabinets and/or closets were expended when requisitioned from Central Supply; therefore, these inventory items should not be included in the Supplies Inventory physical count at fiscal year end.

**H. Requisition and Purchase of Supplies and Equipment: [2-CO-1B-09] [4-4038]**

All purchasing procedures and criteria for the selection of bidders and vendors will be in compliance with the Manual of Model Accounting Practices, Fin 4 – Purchasing and the State Purchasing Division General Services Department Regulations, NMAC 1.4.1.



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David Jablonski, Secretary of Corrections  
New Mexico Corrections Department

04/30/18  
Date

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**INVENTORY CHECKLIST**

**Date:** \_\_\_\_\_ **Activity:** \_\_\_\_\_

**1. List Inventory Locations:**

- |          |          |
|----------|----------|
| A. _____ | D. _____ |
| B. _____ | E. _____ |
| C. _____ | F. _____ |

**2. List personnel assigned as Writers (W) or Counters (C) by inventory locations:**

- |                      |
|----------------------|
| A. _____(W)_____ (C) |
| B. _____(W)_____ (C) |
| C. _____(W)_____ (C) |
| D. _____(W)_____ (C) |
| E. _____(W)_____ (C) |
| F. _____(W)_____ (C) |

**3. Explain how inventory was taken: Preprinted inventory sheets, handwritten list, tags, or cards.**

- |          |          |
|----------|----------|
| A. _____ | D. _____ |
| B. _____ | E. _____ |
| C. _____ | F. _____ |

**4. Inventory Method:**

**FIFO:** \_\_\_\_\_  
**Reason for not using FIFO:** \_\_\_\_\_

