# Policy and Procedures for Maintenance Inventory

## BACKGROUND INFORMATION

The PHA should maintain a minimal inventory supply to meet routine maintenance requests for work orders and unit turnarounds, to minimize waste, and to protect the PHA’s cash balance. In addition, the PHA’s maintenance inventory policy should also include procedures to safeguard maintenance materials against theft.

The maintenance inventory level shall be based on the storage space available, historical information on the type and quantities of items needed, the general availability of the items, and lead time (i.e., time from placement to delivery of an order). The PHA shall 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 shall be assigned a part number and a maximum and a minimum inventory (the latter will indicate the need for reorder).

The inventory will be limited to an established minimum number of items with additional items acquired to meet the minimum level through just-in time shipping to the extent possible. At no time should inventory levels reach more than the maximum number of items required in inventory. Additional items not on the maintenance inventory of established items will be purchased as needed.

This maintenance inventory policy applies to all PHA projects unless under management by a third-party entity.

This document provides three (3) samples of a PHA maintenance inventory policy and procedures.

* **Sample 1 – PHA with Centralized Inventory and Manual System**. This sample provides a maintenance inventory policy for a PHA that keeps a centralized inventory system and does not track inventory on a software system.
* **Sample 2 – PHA with Decentralized Inventory and Manual System**.This sample provides a maintenance inventory policy for a PHA that keeps a decentralized inventory system (i.e., maintenance inventory is maintained at each project) and does not track inventory using a software system.
* **Sample 3 – PHA with Decentralized Inventory and Software System**.This sample provides a maintenance inventory policy for a PHA with a decentralized inventory system and a software system that tracks maintenance inventory on an ongoing basis.

PHAs can simply cut and paste any or all samples into their policy and procedures documents and then modify as needed.

## OTHER ITEMS FOR CONSIDERATION

The following provides items that the PHA needs to consider when developing the policy and procedures for maintenance inventory and the major assumptions that were used to develop the sample policy and procedures.

1. Assumption – PHAs with a manual system will track and update the materials inventory on their financial statements once annually. *(All PHAs with a manual system)*
2. Assumption – PHAs with a manual system will keep an updated inventory tracking log. *(All PHAs with a manual system)*
3. Assumption – PHAs with a software system will keep track of maintenance inventory on an ongoing basis. *(PHAs with a software system)*
4. Assumption – Inventory costs are tracked using the First In, First Out (FIFO) method. This means that supplies will be valued at the last price paid for the product. *(All PHAs)*
5. Assumption – The inventory module of the PHA’s software system is integrated with the general ledger system. *(PHAs with a software system)*
6. Reminder – In certain sections of the sample procedures, most notably – (1) the establishment of level / quantity of inventory on-hand; (2) tracking use of maintenance materials; and (3) maintenance inventory count – specific functions are associated with specific positions, such as the Executive Director’s review of the maximum quantity established for various items. When adopting these procedures, PHA should review these functions / position relationships as outlined, based on the PHA’s organization structure, PHA size, and actual positions. For example, in a larger PHA, it is likely that the Executive Director would not be responsible for determining the maximum quantity for any given maintenance item. Staff assigned to these functions should have both the proper skill / training and be independent of the outcome of the process.

SAMPLE 1 – PHA WITH CENTRALIZED INVENTORY & MANUAL SYSTEM

## MAINTENANCE INVENTORY POLICY

It is the policy of the PHA to provide a minimal inventory supply to meet routine maintenance requests for work orders and unit turnarounds, to minimize waste, and to safeguard the PHA’s cash balance. In addition, the PHA’s maintenance inventory policy also places emphasis on implementing procedures to safeguard maintenance materials against theft.

The maintenance inventory level shall be based on the storage space available, historical information on the type and quantities of items needed, the general availability of the items, and lead time (i.e., time from placement to delivery of an order). The PHA shall 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 shall be assigned a part number and a maximum and a minimum inventory (the latter will indicate the need for reorder).

The inventory will be limited to an established minimum number of items with additional items acquired to meet the minimum level through just-in time shipping to the extent possible. At no time should inventory levels reach more than the maximum number of items required in inventory. Additional items not on the maintenance inventory of established items will be purchased as needed.

This maintenance inventory policy applies to all PHA projects unless under management by a third-party entity.

## MAINTENANCE INVENTORY PROCEDURES

The following procedures are associated with the maintenance inventory policy and are discussed below.

* Establishment of level / quantity of inventory on-hand,
* Purchase of maintenance materials,
* Security of maintenance inventory,
* Tracking use of maintenance materials,
* Maintenance inventory count, and
* Accounting for materials purchased and year-end closing.

### Establishment of Level / Quantity of Inventory On-Hand

A Maintenance Inventory log will be maintained for the PHA. The log will identify the item by part number and the maximum and minimum quantity to be maintained for each item. Additional items above the maximum quantity cannot be purchased and added to the PHA’s inventory without the permission of the Public Housing Director or Executive Director. Just-in-time shipping is to be used to the extent possible to order necessary supplies to complete work orders and unit turnarounds that are not available in maintenance inventory.

Additions or deletions to the inventory tracking log should be totaled monthly and retained for record-keeping and comparison purposes.

The Executive Director or Public Housing Director will review the use of items related to work orders during the year to determine whether the maintenance inventory level is reasonable or if it needs to be adjusted.

### Purchase of Maintenance Materials

The PHA will employ the following procedures for the purchase of materials used by maintenance for work orders and unit turnarounds.

1. A purchase requisition for items kept in inventory and non-inventory maintenance items is generated by an authorized person when an item reaches the established minimum inventory level or when the item is not kept in inventory. In general, purchases should be made once a month for items kept in inventory to bring the quantity of inventory on hand to the established minimum threshold. Purchases not kept in inventory should be made on an as-needed basis.
2. The purchase requisition is sent to the person who is responsible for ensuring that funds are available. If funds are available, a purchase order is issued, and a copy is retained for record-keeping.
3. When the material is received, an authorized person will check the delivered materials against the purchase order to verify that the correct items and quantities are received. Any warranty received with the delivered items should be maintained and enforced by the PHA, when necessary.
4. The materials are then stored in the proper location and added to the maintenance inventory log.
5. A copy of the packing slip and purchase order shall be provided to Accounts Payable to make payment to the vendor.

### Security of Maintenance Inventory

Materials shall be maintained in a secure location that only is accessible to authorized personnel.

Materials should only be issued by authorized personnel and only for an approved work order or an inventory-replenishment request.

### Tracking Use of Maintenance Materials

With the Maintenance Inventory log, the PHA shall also maintain a Material Request log which contains the following information that must be completed for each item that is checked out or used for a work order.

* Name of person requesting the item(s).
* Date of request
* Item and quantity requested.
* Project identification, work order number, and unit number associated with the item(s) requested.

Note: The project identification is required so that the items can be charged to the appropriate project’s budget.

All materials used to complete a work order should be reflected on the work order.

The issued materials should be removed from the Maintenance Inventory log.

Once a month, the Executive Director / Public Housing Director / Maintenance Supervisor will select a sample of work orders and check the items used in the work orders against the Maintenance Request Log and Inventory Log. Note: Work orders with items that are more likely to be susceptible to theft or fraud such as higher value items (e.g., stoves, refrigerators, etc.) and items that have application outside of the PHA (e.g., paint, sheet of wall-board, faucets, door knobs, etc.) should be examined.

The designated PHA employee should check for the following:

1. Check Maintenance Request log with Maintenance Inventory log to determine whether the quantity shown has been reduced to reflect the removal of the item from inventory.
2. Check Maintenance Request log with work order and verify that the items shown as removed on the Maintenance Request log, is listed on the work order.
3. Check that the items have been placed in the unit. For example, if the inventory log showed that a bathroom faucet and toilet was checked out for unit #230, the PHA will verify that that the work order for unit #230 reflects these two items and that the items have been placed in unit # 230.

### Maintenance Inventory Count

At the end of the fiscal year, the Executive Director / Maintenance Supervisor will need to count and price all maintenance supplies maintained in the inventory. This manual count will be compared to the quantity and price as reported on the Maintenance Inventory log. Maintenance supplies will be valued at the last time of purchase. Any discrepancies above $X,XXX (PHA should determine materiality) should be investigated to mitigate the threat of theft.

### Accounting for Materials Purchased and Year-End Closing

The PHA uses the First in, First Out (FIFO) method to track the costs related to the inventory. This means that supplies will be valued at the last price paid for the product. As part of the year end process, the PHA/fee accountant will need to adjust inventory on the financial statements.

SAMPLE 2 – PHA WITH DECENTRALIZED INVENTORY & MANUAL SYSTEM

## MAINTENANCE INVENTORY POLICY

It is the policy of the PHA to provide a minimal inventory supply to meet routine maintenance requests for work orders and unit turnarounds, to minimize waste, and to safeguard the PHA’s cash balance. In addition, the PHA’s maintenance inventory policy also places emphasis on implementing procedures to safeguard maintenance materials against theft.

The maintenance inventory level shall be based on the storage space available, historical information on the type and quantities of items needed, the general availability of the items, and lead time (i.e., time from placement to delivery of an order). The PHA shall 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 shall be assigned a part number and a maximum and a minimum inventory (the latter will indicate the need for reorder).

The inventory will be limited to an established minimum number of items with additional items acquired to meet the minimum level through just-in time shipping to the extent possible. At no time should inventory levels reach more than the maximum number of items required in inventory. Additional items not on the maintenance inventory of established items will be purchased as needed.

This maintenance inventory policy applies to all PHA projects unless under management by a third-party entity.

## MAINTENANCE INVENTORY PROCEDURES

The following procedures are associated with the maintenance inventory policy and are discussed below.

* Establishment of level / quantity of inventory on-hand at projects,
* Purchase of maintenance materials,
* Security of maintenance inventory,
* Tracking use of maintenance materials,
* Maintenance inventory count, and
* Accounting for materials purchased and year-end closing.

### Establishment of Level / Quantity of Inventory On-Hand at Projects

A Maintenance Inventory log will be maintained for each project. The log will identify the item by part number and the maximum and the minimum quantity to be maintained for each item. Additional items above the maximum quantity cannot be purchased and added to the PHA’s inventory without the permission of the Project Manager, Public Housing Director, or Executive Director. Just-in-time shipping is to be used to the extent possible to order necessary supplies to complete work orders and unit turnarounds that are not available in maintenance inventory.

Additions or deletions to the Maintenance Inventory log should be totaled monthly and retained for record-keeping and comparison purpose.

The Project Manager and Public Housing Director will review the use of items related to work orders during the year to determine whether the maintenance inventory level is reasonable or if it needs to be adjusted.

### Purchase of Maintenance Materials

The PHA will employ the following procedures for the purchase of materials used by maintenance for work orders and unit turnarounds.

1. A purchase requisition for items kept in inventory and non-inventory maintenance items is generated by an authorized person when an item reaches the established minimum inventory level or when the item is not kept in inventory. In general, purchases should be made once a month for items kept in inventory to bring the quantity of inventory on hand to the established minimum threshold. Purchases not kept in inventory should be made on an as-needed basis.
2. The purchase requisition is sent to the person who is responsible for ensuring that funds are available. If funds are available, a purchase order is issued, and a copy is retained for record-keeping.
3. When the material is received, the Project Manager will check the delivered materials against the purchase order to verify that the correct items and quantities are received. Any warranty received with the delivered items should be maintained and enforced by the PHA, when necessary.
4. The materials are then stored in the proper location and added to the Maintenance Inventory log.
5. A copy of the packing slip and purchase order shall be provided to Accounts Payable to make payment to the vendor.

**Security of Maintenance Inventory**

Materials shall be maintained in a secure location that only is accessible to authorized personnel.

Materials should only be issued by authorized personnel and only for an approved work order or an inventory-replenishment request.

### Tracking Use of Maintenance Materials

All materials used to complete a work order should be reflected on the work order.

The issued materials should be removed from the Maintenance Inventory log.

Once a month, the Project Manager will select a sample of work orders and check the items used in the work orders against the Maintenance Inventory log. Note: Work orders with items that are more likely to be susceptible to theft or fraud such as higher value items (e.g., stoves, refrigerators, etc.) and items that have application outside of the PHA (e.g., paint, sheet of wall-board, faucets, door knobs, etc.) should be examined.

The Project Manager should check for the following:

1. Check Maintenance Inventory log with work order and verify that the item(s) is listed on the work order.
2. Check that the items have been placed in the unit. For example, if the inventory log showed that a bathroom faucet and door knob was checked out for unit #230, the PHA will verify that that the work order for unit #230 reflects these two items and that the items have been placed in unit #230.

### Maintenance Inventory Count

At the end of the fiscal year, the finance office will notify each Project Manager that they will need to count and price all maintenance supplies maintained in the inventory. This manual count will be compared to the quantity and price as reported on the Maintenance Inventory log. Maintenance supplies will be valued at the last time of purchase. Any discrepancies above $X,XXX (PHA should determine materiality) should be investigated to mitigate the threat of theft.

### Accounting for Materials Purchased and Year-End Closing

The PHA uses the First in, First Out (FIFO) method to track the costs related to the inventory. This means that supplies will be valued at the last price paid for the product. As part of the year end process, the PHA/fee accountant will need to adjust inventory on the financial statements.

SAMPLE 3 – PHA WITH DECENTRALIZED INVENTORY & SOFTWARE SYSTEM

## MAINTENANCE INVENTORY POLICY

It is the policy of the PHA to provide a minimal inventory supply to meet routine maintenance requests for work orders and unit turnarounds, to minimize waste, and to safeguard the PHA’s cash balance. In addition, the PHA’s maintenance inventory policy also places emphasis on implementing procedures to safeguard maintenance materials against theft.

The maintenance inventory level shall be based on the storage space available, historical information on the type and quantities of items needed, the general availability of the items, and lead time (i.e., time from placement to delivery of an order). The PHA shall 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 shall be assigned a part number and a maximum and a minimum inventory (the latter will indicate the need for reorder).

The inventory will be limited to an established minimum number of items with additional items acquired to meet the minimum level through just-in time shipping to the extent possible. At no time should inventory levels reach more than the maximum number of items required in inventory. Additional items not on the maintenance inventory of established items will be purchased as needed.

This maintenance inventory policy applies to all PHA projects unless under management by a third-party entity.

## MAINTENANCE INVENTORY PROCEDURES

The following procedures are associated with the maintenance inventory policy and are discussed below.

* Establishment of level / quantity of inventory on-hand at projects,
* Purchase of maintenance materials,
* Security of maintenance inventory,
* Tracking use of maintenance materials,
* Maintenance inventory count, and
* Accounting for materials purchased and year-end closing.

### Establishment of Level / Quantity of Inventory On-Hand at Projects

Maintenance inventory for each project will be tracked in the PHA’s software system. The PHA’s software system will track the proper amount of inventory items that should be retained at each project.

Additional items above the maximum quantity cannot be purchased and added to the PHA’s inventory without the permission of the Project Manager, Public Housing Director, or Executive Director. Just-in-time shipping is to be used to the extent possible to order necessary supplies to complete work orders and unit turnarounds that are not available in maintenance inventory.

The Project Manager and Public Housing Director will review the use of items related to work orders during the year to determine whether the maintenance inventory level is reasonable or if it needs to be adjusted in the PHA’s software system.

### Purchase of Maintenance Materials

The PHA will employ the following procedures for the purchase of materials used by maintenance for work orders and unit turnarounds.

1. A purchase requisition for items kept in inventory and non-inventory maintenance items is generated in the PHA’s software system when an item reaches the established minimum inventory level or when the item is not kept in inventory. In general, purchases should be made once a month for items kept in inventory to bring the quantity of inventory on hand to the established minimum threshold. Purchases not kept in inventory should be made on an as-needed basis.
2. The purchase requisition is reviewed and is approved by the authorizing officer who is responsible for verifying that funds are available. If the purchase requisition is approved, a purchase order is created in the system.
3. When the material is received, the Project Manager will check the delivered materials against the purchase order to verify that the correct items and quantities are received. Any warranty received with the delivered items should be maintained and enforced by the PHA, when necessary.
4. The materials are then stored in the proper location and added to the project’s maintenance inventory in the PHA’s software system.
5. A copy of the packing slip and purchase order shall be provided to Accounts Payable to make payment to the vendor.

### Security of Maintenance Inventory

Materials shall be maintained in a secure location that only is accessible to authorized personnel.

Materials should only be issued by authorized personnel and only for an approved work order or an inventory-replenishment request.

### Tracking Use of Maintenance Materials

All materials used to complete a work order should be reflected on the work order.

As maintenance supplies are used, the maintenance inventory will be updated in the PHA’s software system.

Once a month, the Project Manager will select a sample of work orders and check the items used in the work orders against the maintenance inventory log from the PHA’s software system. Note: Work orders with items that are more likely to be susceptible to theft or fraud such as higher value items (e.g., stoves, refrigerators, etc.) and items that have application outside of the PHA (e.g., paint, sheet of wall-board, faucets, door knobs, etc.) should be examined.

The Project Manager should check for the following:

1. Check Maintenance Inventory log with work order and verify that the item(s) is listed on the work order.
2. Check that the items have been placed in the unit. For example, if the inventory log showed that a bathroom faucet and door knob was checked out for unit #230, the PHA will verify that that the work order for unit #230 reflects these two items and that the items have been placed in unit #230.

### Maintenance Inventory Count

At the end of the fiscal year, the finance office will notify each Project Manager that they will need to count and price all maintenance supplies maintained in the inventory. This manual count will be compared to the quantity and price as reported in the PHA’s software system. Maintenance supplies will be valued based on the costs of materials used as provided in the PHA’s software system, work order module. Any large discrepancies should be investigated to mitigate the threat of theft.

### Accounting for Materials Purchased and Year-End Closing

The purchase and use of materials should be reported in the financial statements monthly. The Project Managers should review monthly financial statements and compare actual materials costs to budgeted amounts to determine whether the amounts are reasonable.

The PHA uses the First in, First Out (FIFO) method to track the costs related to the inventory. This means that supplies will be valued at the last price paid for the product. As part of the year end process, the finance office / fee accountant will need to adjust inventory on the financial statements.