

FINANCE POLICY

TITLE: INVENTORY CONTROL POLICY

EFFECTIVE DATE: MARCH 9, 2026

POLICY NUMBER: F.20

The Municipal District of Opportunity No. 17 will exercise due diligence to safeguard all inventory from waste, damage, theft, misappropriation and unauthorized use and will make every effort to maintain optimal levels of inventory.

PURPOSE:

To provide guidelines for the development of departmental inventory control procedures and emphasize segregation of duties and/or independent verification as a prime feature of departmental procedures for inventory control.

Further, to prevent, deter and detect inventory waste, damage, theft, misappropriation and unauthorized use and promote the safeguarding of inventory through; physical security, movement and tracking, inventory level monitoring and reconciliations.

SCOPE:

This policy applies to all Municipal departments whose financial transactions are accounted for within the Municipality's financial system.

RESPONSIBILITIES:

Chief Financial Officer (CFO):

1. Provide communication, training and on-going support on the use of this policy.
2. Work with departments as they develop procedures that facilitate compliance with this policy and make recommendations for improvement as necessary.
3. Review and approve proposed additions/deletions of inventory items from the balance sheet.

Department Directors:

1. Communicate and distribute this policy to all employees responsible for ordering and/or safeguarding of inventory.
2. Ensure departmental inventory control procedures are established and communicated to achieve compliance of this policy, and reviewed at a minimum annually.

Assistant Manager of Financial Reporting:

1. Ensure that departments complete appropriate balance sheet documents to support year-end audit.
2. Investigate material inventory adjustments. (Balance Sheet Inventory Requirements)
 - a. Provide guidance and/or mitigating strategies in an effort to eliminate such occurrences.
 - b. In the event of suspected inventory misappropriation, liaise, as required, between Finance, the affected department and the Municipality's auditor.
3. Provide support for departments in the application of this policy and related departmental inventory procedures.
4. Perform budget variance reporting as prescribed and cost of goods sold analysis where and when applicable.
5. Provide support for departments with physical inventory counts and subsequent reporting as required.

INVENTORY CATEGORIES:

1. **Consumables** - Items that are purchased repeatedly during the course of regular business. Examples of consumables include, but are not limited to; paint, salt, fuel, office supplies, drill bits, nuts/bolts/washers, replacement parts, cleaning supplies, light bulbs, air filters.
2. **Durables** - Items that yield utility over time rather than being completely consumed in one use and are typically characterized by longer periods between successive purchases. Examples of durables include, but are not limited to; signs, grader blades, culverts, drills, hammers, chain-saws, shovels, generators, floor scrubbers, air compressors, sporting equipment, appliances, screwdrivers.
3. **Raw Materials** - Items that are used for the manufacturing of a finished product. Examples include, but are not limited to: sand, gravel.
4. **Work in Progress** - An unfinished product that is still being developed or added to.
5. **Scrap** - Items that are removed from service or leftover from a manufacturing process.

GOVERNING RULES:

Departmental inventory control procedures will be established with due consideration to the inventory control guidelines within this policy.

1. Segregation of duties and/or independent verification will be a prime feature of departmental procedures for inventory control.

INVENTORY CONTROL GUIDELINES:

Balance Sheet Inventory Requirements

1. Criteria to consider including an inventory item on the balance sheet include but is not limited to:
 - a. The item(s) is/are of substantial value individually or collectively.
 - b. Durable items with a longer lifespan (e.g. greater than 1 year).
 - c. High risk of theft (e.g. limited physical security, ease of access, alternative or home use, ease of transport, etc.).
 - d. The addition, or removal, of items to or from the balance sheet is subject to CFO review and approval.
2. Inventory items that are on the balance sheet and subject to audit must be in compliance with the following:
 - a. A physical count, reconciled to the balance sheet, must be conducted at least once per year.
 - i. Shrinkage adjustments greater than 3% must be reported to the CFO and Director of Finance.
 - b. Maintenance of accurate and detailed records that support inventory balances.
 - c. Inventory held should be secured within a restricted area where possible.

All Inventory

1. Segregation of duties should be a key component of inventory control.
 - a. Where practical, no individual should have the responsibility for both the purchasing of inventory and;
 - i. Storage and handling activities.
 - ii. Assigning inventory.
 - iii. Monitoring the return of inventory to storage.
 - iv. Periodic physical count and reconciliation of inventory levels.
2. Where segregation is not possible, additional management review and supervision must be considered to reduce the risk of loss or misuse.
3. Keep inventory in defined locations.
 - a. Secure inventory in a restricted area where possible.
 - b. Install cameras to monitor high value inventory.
 - c. Inventory should be located close to where it is needed or used most frequently.
 - d. Within a storeroom, organize inventory by category.
 - e. Use labels for easy use and monitoring.

4. Perform physical counts and reconciliations of all inventories on a periodic basis:
 - a. Fuel dips should be completed monthly and fuel inventory reconciled quarterly.
 - b. Sand and gravel stockpiles reconciliations should be completed monthly, with a drone survey being completed annually for physical inventory count and adjustments done at that time to reconcile the current balance to the physical count balance.
 - c. Golf Clubhouse inventory should be completed daily for high value items including golf clubs and golf bags and reconciled to daily sales, with the lower value inventory such as clothes and golf balls being done at the end of the season.
 - d. Departments will perform physical counts and reconciliations on all other inventory items at year-end.
5. Perform periodic and unannounced physical inventory counts to assess physical security to reduce the risk of loss, theft, abuse or damage.
6. Maintain accurate and detailed inventory records.
 - a. Records should include, but not be limited to: Make, model number, serial number, purchase date, purchase price, manufacturer's warranty period (where applicable), usage history, repair history, current condition, etc.
7. Inventory should be stored in a location that should minimize loss due to damage. (i.e. ideal temperature/humidity levels).