



DEPARTMENT OF DEFENSE
Defense Commissary Agency
Fort Lee, VA 23801-1800

MANUAL

Accountability for Commissary Resale Merchandise Manual

DeCAM 40-21.1
February 22, 2010

Performance and Policy
OPR: DeCA/DOB

- 1. POLICY.** This Manual is issued under the authority of Defense Commissary Agency Directive (DeCAD) 40-21, "Accountability for Commissary Resale Merchandise," August 17, 2009.
- 2. PURPOSE.** This Manual provides detailed step-by-step procedures for carrying out the policy, and provides guidance and procedures to conduct physical inventory counts in commissaries, central distribution centers (CDC), and the Central Meat Processing Plant (CMPP).
- 3. APPLICABILITY.** This Manual applies to the Defense Commissary Agency (DeCA) activities and personnel involved in operations associated with accountability for commissary resale merchandise.
- 4. MANAGEMENT CONTROL SYSTEM.** This Manual contains internal management control provisions subject to evaluation and testing as required by DeCAD 70-2 (Reference (b)).
- 5. RELEASABILITY – UNLIMITED.** This Manual is approved for public release and is located on DeCA's Internet Web site at www.commissaries.com.
- 6. EFFECTIVE DATE.** This Manual is effective immediately.

A handwritten signature in black ink, appearing to read "James J. Hudson, Jr.", is positioned above the printed name.

James J. Hudson, Jr.
Director, Performance and Policy

TABLE OF CONTENTS

REFERENCES.....	3
------------------------	----------

Chapter 1 - Inventory Planning

1-1	Purpose.....	5
1-2	Review of Accountable Inventory Preparations.....	5
1-3	Validation for Contract Inventories.....	5
1-4	Notification Regarding Inventory.....	7
1-5	Detailed Inventory Plan and Facility Diagram.....	7
1-6	Inventory Cutoff.....	8
1-7	Equipment and Supplies.....	8
1-8	Accountability Status and Follow-up.....	9
1-9	Accountability Closeout.....	9
1-10	After Action Assessment.....	10

Chapter 2 - Contract Dollar Value Inventory

2-1	Purpose.....	12
2-2	Areas to Be Inventoried.....	12
2-3	Frequency.....	12
2-4	Contractor and Government Employee Responsibilities.....	12
2-5	Validations.....	12
2-6	Document Preparation.....	12
2-7	Inventory Counts and Recording Section Values.....	13

Chapter 3 - In-House Inventory

3-1	Purpose.....	15
3-2	Areas to Be Inventoried.....	15
3-3	Frequency.....	15
3-4	Responsibilities.....	15
3-5	Store Director Responsibilities.....	15
3-6	Documents and Preparations Required.....	16
3-7	Inventory Counts and Recording Section Values.....	17
3-8	Meat Departments/Central Meat Processing Plants (CMPP).....	18
3-9	Fats and Bones.....	18
3-10	Inventory Unprocessed Bulk Meat.....	18
3-11	Prepackaged Meats.....	18
3-12	Weighing Meats.....	19

Chapter 4 - Record of Operations – Monthly Departmental Inventory

4-1	Purpose.....	20
4-2	Areas to Be Inventoried.....	20
4-3	Frequency.....	20
4-4	Responsibilities.....	20
4-5	Backup Storage Counts.....	20

4-6	Display Case Inventory	20
4-7	Fats and Bones	20
4-8	Unprocessed Bulk Produce	20
4-9	Inventory Copies	21
4-10	Inventory Gain or Loss.....	21
4-11	Authorized Variances	21

Chapter 5 - Tobacco Inventory

5-1	Purpose.....	22
5-2	Conducting Tobacco Inventories.....	22

Chapter 6 - Accountable Inventory Procedures for Central Distribution Centers (CDC) In DeCA Europe and Far East Locations

6-1	Purpose.....	24
6-2	Conducting CDC Inventories	24
6-3	Preparation	24
6-4	Accounting Requirements	25
6-5	Administrative Requirements.....	26
6-6	Validations	26
6-7	Procedures and Controls for DIBS-Only Inventory	26
6-8	Automated CDC Warehouse Accountability Inventory.....	27
6-9	Management Systems CDC Warehouse Accountability Inventory	28
6-10	Cycle Count for CDC	29

APPENDICES

Appendix A	Accountability Checklist.....	32
Appendix B	Inventory Documents	49
Appendix C	Sample Format for Pre-Inventory Briefing	52

FIGURES

Figure 1	Inventory Certification.....	23
----------	------------------------------	----

TABLES

Table 1	Section Sample Size.....	11
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GLOSSARY

Definitions	54
Acronyms	58

REFERENCES

- (a) DeCA Directive 40-21, "Accountability for Commissary Resale Merchandise," August 17, 2009
- (b) DeCA Directive 70-2, "Internal Control Program," December 17, 2007
- (c) DeCA Directive 40-15, "Managing, Accounting, and Reporting of Government Property," September 4, 2001
- (d) DoD Directive 5105.55, "Defense Commissary Agency (DeCA)," March 12, 2008
- (e) DeCA Directive 70-6, "Financial Procedures for the Accounts Control Section and the Office of the Commissary Officer," January 1999
- (r) DeCA Directive 70-16, "Financial Management for Analysis and Reconciliation Business Unit," September 30, 1998
- (g) DeCA Directive 40-3, "Meat Department," December 10, 2007
- (h) DeCA Directive 40-4, "Produce Operating Department," February 11, 2009
- (i) DeCA Manual 40-4.1, "Produce Operating Department Manual," March 11, 2009
- (j) DeCA Directive 40-23, "Central Distribution Center Procedures," June 5, 2007
- (k) DeCA Directive 40-28, "Specialty Departments, Deli, bakery, Seafood, Plants, Etc.," January 31, 2008

CHAPTER 1

INVENTORY PLANNING

1-1. PURPOSE. To provide instructions to conduct physical inventory counts in commissaries and CDCs.

1-2. REVIEW OF ACCOUNTABLE INVENTORY PREPARATIONS. Responsible officers (RO) or those involved in overseeing the accountability inventory (AI) shall ensure areas and functions directly affecting accountability are in order prior to beginning the inventory count; i.e., accuracy of pricing; unit/pound pack and pallet layer; tie and tier annotations of department section designations; consistency of the AI plan; and comparing the inventory count sheets with the physical departmental layout and section designations. Allow sufficient time to conduct a preinventory review to ensure necessary corrections are made without delaying or complicating the AI.

1-3. VALIDATION FOR CONTRACT INVENTORIES. The Government will advise the contractor of the sections requiring validation after the contractor has completed the initial count, posted the section value to their DeCA Form (DeCAF) 40-55, Inventory Control Log, and provided the section value to the Government. A Government representative will observe validation counts. All computations of percentages will only be carried out to two places past the decimal point; i.e., 1.99, 2.01; the third decimal place will not be used in determining pass/fail of section validation. To assist in determining the number of validations required, an automated spreadsheet is available in DeCA Public Folders, Store Library, Inventory Information, Inventory Helpers (Forms).

a. The selection of validation sections must be a cross section of all areas inventoried. Do not select more than two validations in the same common group. When possible, attempt to validate every inventory counter.

b. The Government will select a total number of validation sections from among the combined total number of sections in the sales and warehouse/back up storage area corresponding to the sample size specified for the number of sections identified for the contractor to inventory. For instance, if the Government identifies a total of 198 sections in the sales area and 66 sections in the warehouse/backup storage area for a total 264 sections, the total number of validation sections for the inventory is 20 for a section range of 151-280 (refer to Table 1, Section Sample Size). The Government will identify TWICE the number of validation sections indicated in the sample size column (in this example $2 \times 20 = 40$). If it becomes necessary to expand the sample size, a process is described in paragraph 1-3.g. below. The first set of validations MUST be completed and posted to the official DeCAF 40-55 before a decision can be made to increase the sample size.

c. The Government will select sections for validation on the sales floor and in the warehouse/backup storage area roughly in proportion to the number of sections identified in each of those areas. In this example, $198/264 = 75$ percent of sections are in the sales area and the remaining $66/264 = 25$ percent of sections are in the warehouse/backup storage area. The Government should therefore select about $20 \times 0.75 = 15$ sections for validation in the sales area and about $20 \times 0.25 = 5$ sections for validation in the warehouse/backup storage area.

d. Once the initial count of a section has been completed and recorded, the Government will advise the contractor to accomplish a validation (second count). The validation may not be performed by the individual who accomplished the initial count or by any individual who has knowledge of the section dollar value.

e. If, after comparing the values of the initial and validation counts of a section, the Government determines a validation count in either the sales area or in the warehouse/back up storage area is less than +/- 2.0 percent of the contractor's initial count, the contractor's initial count is acceptable. For instance, if value of the initial count is \$2,489.93 and value of the validation count is \$2,526.88, the difference is \$36.95. $\$36.95/\$2,489.93 = 1.48$ percent. In this and similar situations, the contractor's initial count is acceptable.

f. If, after comparing the values of the initial and validation counts of a section the Government determines the difference between these two values is +/-2.0 percent or greater, the Government will assess the contractor's initial count/valuation of the section as an "exception." For instance, if value of the initial count is \$2,489.93, and value of the validation count is \$2,349.66, the difference is \$140.27. $\$140.27/\$2,489.93 = 5.63$ percent. The Government will assess the contractor's initial count/valuation of this section as an "exception" by annotating "EX" in column 6 of DeCAF 40-55, opposite the appropriate section number.

g. Numbers of exceptions and actions corresponding to each number of exceptions are shown in validation on Table 1. Using the example described above calls for an initial sample size of 20 validation sections, the following may result:

(1) Should the Government assess two or fewer of the 20 validations as exceptions, the inventory results are valid. No further validation action is necessary.

(2) Should the Government assess five or more of the 20 validations as exceptions, the inventory results are invalid. The Government will stop the inventory at whatever point in the inventory process the Government has assessed five validations as exceptions. The contracting officer will ultimately make a determination whether or not the contractor is entitled to any compensation under the contract.

(3) After all sections have been validated, should the Government assess three or four of the 20 validations as exceptions, the inventory results are inconclusive (stores with other than 20 validation sections, reference the appropriate performance work statement (PWS) for the location). The Government will expand the sample. The expanded sample requires validation of up to an additional 20 sections. Validation procedures for these additional 20 sections are the same as those described in paragraphs 1-3.c. and 1-3.d. Using the example described above calls for an expanded sample of 20 validation sections (40 validation sections in all) and the following may result:

(a) Should the Government assess a total of six or fewer of the 40 validations as exceptions, the inventory results are valid. No further validation action is necessary.

(b) Should the Government assess a total of seven or more of the 40 validations as exceptions, the inventory results are invalid. The Government will stop the inventory at whatever point in the inventory process the Government has assessed seven validations as exceptions. The contracting officer will ultimately make a determination whether or not the contractor is entitled to any compensation under the contract.

h. Once the Government has accepted the inventory, the Government may direct the contractor to perform a third count with a Government observer of any validation section with a variance of equal to or greater than +/-10 percent of any previous counts. The results of the third count will be posted to column 7 of DeCAF 40-55 and used to calculate the overall inventory dollar value.

1-4. NOTIFICATION REGARDING INVENTORY. Sixty (60) days before the AI date and at intervals throughout the inventory period, store directors or CDC managers will notify the following individuals or groups of the date of AI, of any curtailment of service or closure, and how the AI will affect the individual or group. This list is not meant to be all-inclusive, nor will every facility necessarily have this same number and variety of individuals and groups to notify.

a. Notify the installation commander and any other key command or installation officials; patrons generally, to include those in subcommunities or remote communities; and special patron groups, such as the Government-Wide Purchase Card customers, food banks, brokers, sales representatives, product distributors, vendor stockers, commercial activity (CA) contractors, custodial and maintenance personnel, other DeCA facilities supported by CDCs or parent commissaries, other local commissaries and support activities, and unions. This notification should be done, as appropriate to the individual or group being addressed, by memorandums, signs, meetings, installation newspapers, Armed Forces Network, bag stuffers, customer e-mail listing, and any other locally available channel or means of communication. The RO shall check the PWS terms and follow-up to make certain contact with the contractor is made, even if contractor fails to comply with terms of the PWS. The RO shall report noncompliance by contractor with this, or any other terms of the PWS, through region to the appropriate Contracting Directorate point of contact (POC).

b. This preliminary notification of managers and key personnel should be made 1 month before the inventory period and should be combined with guidance to start “thinking inventory.” This notification can also be used as a preliminary step in the development of a detailed written inventory plan. One important consideration that must be addressed at this point is how acceptable levels of stockage and service will be maintained throughout the inventory period without seriously hampering the inventory process itself. This may involve changing personnel schedules, rescheduling deliveries, submitting double orders, etc., and must eventually be made part of the overall inventory plan.

1-5. DETAILED INVENTORY PLAN AND FACILITY DIAGRAM.

a. No later than 15 days before the AI date, the DeCA RO shall have prepared a detailed written inventory plan (referred to as the Accounting Inventory Plan), and a detailed inventory floor plan/diagram (referred to as the Accountable Inventory Diagram), both of which will be used as a basis for further AI planning and preparation. Detailed instruction can be found in the current PWS located in DeCA Public Folders, Store Library, Inventory Information, Performance Work Statement (PWS).

b. The RO shall prepare an AI plan which includes a schedule of all actions necessary to prepare for and to conduct the AI, and assign specific DeCA personnel responsibility for these actions. DeCA inventory manager(s), inventory team and team chief, DeCA validation team and team chief, and any other DeCA personnel needed to prepare for (documents, sectioning, pricing, straightening up, etc.) or to conduct inventory (documents, escort to section locations, price checks, product identification, etc.) shall be identified in the AI plan. The AI plan shall include information regarding any adjustments to personnel, order, delivery, or stock replenishment schedules made to accommodate AI. The AI plan shall also include any additional information unique to the local situation and considered pertinent to preparation of the inventory. The RO shall provide copies of the AI plan to the inventory manager(s), inventory team chief(s), validation team chief(s), all department managers, and to any other personnel with a need to know. The RO shall also use the AI plan as one source of information for briefings conducted immediately prior to start of inventory.

1-6. INVENTORY CUTOFF. Store directors, CDC managers, and department managers will ensure all personnel involved in handling transactions affecting accounts make a clear distinction between all transactions to be accounted for as part of the current accountability period.

a. The first day scheduled for physical inventory count, often casually described as the dividing line between “before inventory” and “after inventory,” can be misleading, especially in situations in which the count is scheduled to be performed over a 2-day period and a commissary or CDC operates for one or both days inventory is performed. In such situations, merchandise may be delivered, stocked, sold, stored, and issued after physical inventory count has actually begun. Although these transactions may have occurred after the start of the physical inventory count, all must be handled as “before inventory” transactions.

b. There may also be instances in which DeCA ROs will choose not to count merchandise received shortly before or during inventory count, and thus will handle these receipts as “after inventory” transactions. In such instances, these transactions must be dated after the date of inventory when the transactions are entered into the business system.

c. Any merchandise physically received, but not counted as part of the physical inventory, must be prominently marked “DO NOT INVENTORY” and must have documents processed with a voucher register and general control (VRGC) entry “after inventory.” These situations must be handled very carefully because failure to clearly define the cutoff between “before” and “after” inventory transactions will result in flawed results.

d. On the day of inventory, prices on **Scandown** items or items on in-store vendor credit memorandums (VCM) go back up to their regular prices for inventory purposes. The following sales day, the system **Scandown** and in-store VCM prices are lowered to their before inventory prices and applied for the remainder of the promotion period.

1-7. EQUIPMENT AND SUPPLIES. One week before the AI date, ROs shall ensure sufficient quantities of all equipment and supplies required to prepare for and to conduct inventory are available. For either contract or in-house inventory, this includes:

- a. Tape and/or cards to indicate section boundaries.
- b. Labels and/or cards for price marking and annotation of unit packs.
- c. Pens, pencils, markers, and clipboards.
- d. Portable scales (if available).
- e. General purpose count sheets.
- f. DeCAF 40-55, Inventory Control Log, located in FormFinder.
- g. Powered industrial truck (PIT) equipment or safety ladders/pallets needed to move merchandise or to permit personnel access to merchandise, which may also include stocking kick steps/ladders, hand or desk calculators and adding machine tape.
- h. Any items required because of unique local conditions. It is also advisable to have sufficient “cold weather gear” on hand, or, if this is not available, to suggest personnel who will be working in refrigerated areas bring their own.

i. Only trained/licensed DeCA personnel (or, where applicable, CA contract personnel) shall operate any PIT equipment used to conduct contract or in-house inventory.

1-8. ACCOUNTABILITY STATUS AND FOLLOW-UP.

a. Actions described in this paragraph are not considered to be part of the “inventory period” but are necessary to complete the “inventory cycle,” both as it applies to each facility, and to DeCA generally. Following receipt of Inventory Certification, the Resale Accounting Division (RAD) or Accounts Control Business Unit (ACBU) determines the status of each account for which inventory results were reported, and officially reports account status to regions within five business days on DeCAF 70-23, Consolidated Statement of Gain/Loss. Regions report account status to store directors or CDC managers on DeCAF 70-22, Commissary Accountability Variance Statement. It is important to note all inventory information must be reviewed for errors prior to applying signatures to the Inventory Certification. Applying a signature indicates the information is correct and finalized.

b. Upon receipt of account status, store directors and CDC managers, shall investigate any commissary/CDC level departmental account reported as having exceeded the authorized variance to determine causes. Region directors, who are the accountable officers for all DeCA resale assets under their control, shall maintain total region departmental account status within established variances.

(1) No later than 72 hours after official notification, the accountable officer shall initiate a management review of any account which was reported as out of variance by RAD or ACBU on DeCAF 70-23. The review shall include comments regarding intent to conduct management reviews in the appropriate sections of DeCAF 70-22. Accountable officers may, at their option, initiate management reviews prior to official notification of account status, if commissary/CDC level indicates out of variance conditions.

(2) Although ROs initiate any required management reviews, region directors may choose to direct the nature and scope of the inquiries; have staff or zone managers assist in these inquiries; or have region personnel or zone managers actually conduct the inquiries. Upon review of account status at headquarters (HQ) level, Director of Performance and Policy may opt to provide HQ or field operating activity staff assistance in conducting management reviews.

(3) Region directors are required to initiate reports of survey only for those accounts reported as exceeding the authorized variance on the consolidated statement of gains/losses and only if negligence or misconduct is suspected as the cause of loss. A report of survey must be forwarded to the regional office no later than 120 days after the date of the physical inventory. No report of survey is required if, within 120 days of the inventory date, management identifies account adjustments as being the cause for excessive variance levels.

1-9. ACCOUNTABILITY CLOSEOUT. In order to complete the accountability record for the accountability period (i.e., the period which ended at the AI cutoff), all other “BEFORE INVENTORY” transactions shall be closed out. The procedures for doing this are the same whether inventory was done by contract or in-house. Following the AI, the next record of operation for any department or sub-account will be computed at the end of the month following the month in which the AI was done. The opening inventory value for the first record of operation after the AI is the inventory value for the account determined during the AI.

1-10. AFTER ACTION ASSESSMENT. Within 2 weeks of completing the AI, the RO shall conduct a meeting with key DeCA personnel to discuss results of the most recent inventory process. A review of the AI checklist will be used to generate a “lessons learned” which may be used to submit suggestions through region to HQ, DeCA Performance and Policy Directorate, Operations Business Group Division (DOB) or for application in planning future AIs. A record of this discussion shall be kept on file with other AI documentation and used as a reference until after the next AI has been completed.

If Total Sections Are:	The Sample Size Is:	And, the Inventory Results are Based on the Following:		If Inventory Results are Inconclusive:	Total Sample Size	Exceptions	Decision
		Exceptions					
26 to 50	5	2 or more	→ Inventory results are invalid	→ Expand sample size by (+5) →	10	2 or more	→ Inventory results are invalid
		1	→ Results are inconclusive			1 or less	→ Inventory results valid
		0	→ Results are valid				
51 to 90	8	3 or more	→ Inventory results are invalid	→ Expand sample size by (+8) →	16	4 or more	→ Inventory results invalid
		1 or 2	→ Results are inconclusive			3 or less	→ Inventory results valid
		0	→ Results are valid				
91 to 150	13	4 or more	→ Inventory results are invalid	→ Expand sample size by (+13) →	26	5 or more	→ Inventory results invalid
		2 or 3	→ Results are inconclusive			4 or less	→ Inventory results valid
		1 or less	→ Results are valid				
151 to 280	20	5 or more	→ Inventory results are invalid	→ Expand sample size by (+20) →	40	7 or more	→ Inventory results invalid
		3 or 4	→ Results are inconclusive			6 or less	→ Inventory results valid
		2 or less	→ Results are valid				
281 to 500	32	7 or more	→ Inventory results are invalid	→ Expand sample size by (+32) →	64	9 or more	→ Inventory results are invalid
		4, 5 or 6	→ Results are inconclusive			8 or less	→ Inventory results are valid
		3 or less	→ Results are valid				

Table 1. Section Sample Size

CHAPTER 2

CONTRACT DOLLAR VALUE INVENTORY

2-1. PURPOSE. A contract dollar value inventory is a physical, wall-to-wall, dollar value AI performed by commercial firms working within the terms of a contract PWS. It is mandatory to comply with the requirements set forth in the PWS for dollar value inventory.

2-2. AREAS TO BE INVENTORIED. Areas may include any or all of the following: grocery items on the sales floor; perishable and nonperishable storage rooms; processing and/or preparation rooms; contiguous and remote warehouse; and warehouse backup and storage areas. Grocery includes products purchased from the exchange services (i.e., cameras, film, phone cards). Areas not included are tobacco, meat, produce, or contractor-owned inventory (i.e., deli, bakery, or seafood items). In DeCA Europe, it does not include DeCA-owned bakery (combined with deli).

2-3. FREQUENCY. Contract dollar value inventories are conducted at least once a year in accordance with (IAW) guidance contained in an annual Resource Management AI memorandum as supplemented by region direction and guidance.

2-4. CONTRACTOR AND GOVERNMENT EMPLOYEE RESPONSIBILITIES. Follow inventory procedure and provide supervision, personnel, supplies, and equipment as described in the most current copy of the PWS for dollar value inventory, located in DeCA Public Folders, Store Library subfolder, Inventory Information, Performance Work Statement (PWS).

2-5. VALIDATIONS. DeCAF 40-55 must contain NO information which will give the contractor any advance knowledge of sections selected for validations. All validations must be performed by separate teams with individuals; i.e., government employee or contractor who has no knowledge of the section dollar value.

2-6. DOCUMENT PREPARATION.

a. Documents required for contract dollar value inventory are.

(1) DeCAF 40-55, Inventory Control Log, for inventory and validations, is required by all stores/CDCs.

(2) DECAF 40-106, Dollar Value Inventory Certification, for contract or in-house (see Appendix B).

b. ROs shall ensure all documents required for inventory are prepared, to the extent possible prior to the inventory count, at least 2 days prior to the start of AI to allow sufficient time for thorough review of section assignments and for adjustments, if necessary. Inventory count sheets are not needed for contract inventory. Inventory certification forms used for contract and in-house inventories are different.

c. ROs shall ensure DeCAF 40-55 is used to record section inventory values and is prepared and handled as follows:

(1) Prepare inventory logs so all section numbers identified for use in each department to be inventoried are accounted for, whether or not all numbers have actually been assigned to sections. For example, the meat department is assigned a standard range of section numbers from 020 through 049 to be used in all accountable inventories. If 020 through 041 are actually assigned to sections to be counted, these shall be listed, in section number sequence, on the inventory logs prepared for the meat department. The unused section numbers shall also be accounted for by listing these on the last line used on the meat department inventory log as: "042 through 049 NOT USED."

(2) Within each departmental section number sequence, prepare separate sequentially numbered inventory log sheets for subaccounts, and also for sales areas versus backup/storage areas.

(3) Section numbers recorded on DeCAF 40-55 must correspond exactly with the section number assignments shown on the accountable inventory diagram.

(4) Provide originals of DeCAF 40-55 to the contractor or inventory team chief just prior to the AI briefing and walk-through of facility, both of which take place immediately prior to start of inventory count.

(5) List sections selected for validation in sales areas separately on DeCAF 40-55 from those sections selected for validation in backup/storage areas. In accountable inventories in which some department assets are inventoried under contract, and other department assets are inventoried in-house, prepare a separate DeCAF 40-55 for contracted and in-house portions of inventory.

(6) To safeguard the integrity of the validation process, ROs shall ensure information regarding location, count and value of a section selected for validation is not made known to any member or members of the inventory team until such time as the inventory count/valuation for the section selected for validation has been completed.

2-7. INVENTORY COUNTS AND RECORDING SECTION VALUES. The inventory count will begin at the completion of the briefing and facility walk-through.

a. During the contract AI, contract inventory team personnel count and extend the dollar value of items simultaneously using machines. No inventory count sheets are used, and no hard copy records of individual item counts or extensions of dollar values are produced. As indicated in the PWS, a hard copy or automated DeCAF 40-55 may be used to record section inventory values.

(1) The contract inventory team chief assigns contract personnel to count sections, and generally controls the activities of contract team members throughout the AI, in coordination with, but independent of, any direct control by DeCA personnel.

(2) After the contractor has recorded 20 section totals on the contractor's DeCAF 40-55 in ink, DeCA personnel responsible for maintaining AI records shall record the same section totals on the DeCA management copy of DeCAF 40-55 to ensure the DeCA management copy is maintained as an exact duplicate of the contractor's copy. Use of the automated DeCAF 40-55 for DeCA management copy of the Inventory Control Log is authorized. Automated DeCAF 40-55 is located on public folders under Store Library, Inventory Information, CORRECTED Formal Inventory Master Log.

(3) Contract inventory section totals are the basis for the validation process which measures the accuracy of the inventory counts overall..

b. ROs shall ensure DeCA support personnel and contract personnel previously identified in the AI plan, and acting in coordination with the inventory manager, are available to help, as necessary. The facility or inventory manager shall ensure information, or the means to obtain information, is readily available, if needed.

(1) DeCA support personnel shall do price checks/verifications, and must have access to scanning terminals and price lists. DeCA support personnel will also do unit pack/pallet tie and tier verifications.

NOTE: Prior to inventory, indicate either by posting a label or tag on cases or pallets: the tie and tier of pallet lots, to include partial pallets; the unit or pound pack per case; and the number of units and prices of contents of “open and broken” cases or containers.

(2) ROs shall caution support personnel to be careful not to take any action when providing their services to compromise the independence of the inventory count/valuation, the integrity of the validation process, or that of the AI.

c. Government inventory team personnel shall count/value items sold by weight which are on display, or which are not in full case lots, by actually weighing the items rather than by simply estimating the weight. In accordance with the PWS, the Government is responsible for weighing and marking all bulk items as part of the preparation. Government support personnel will place items on the scale, replace items as weighing is completed, and will move the scale (if portable or mobile). Inventory team personnel shall record item weights and prices per pound by machine or on count sheets.

NOTE: DeCA support personnel do not actually count these items; these support personnel just help in the process of weighing these items.

Except for identifying contents of “broken” or mixed cases, **DO NOT PRE-COUNT INDIVIDUAL PRODUCTS; NOR INDICATE TOTAL COUNT THEREOF, ON PALLETS, CONTAINERS, OR STORAGE ROOM DOORS, ETC.**

d. ROs shall ensure any changes or corrections to AI documentation is done IAW the following procedures, and changes to any information recorded on the automated DeCAF 40-55 are made both on the inventory team copy and on the DeCA management copy. The general procedure for making corrections is:

- (1) Draw a single ink line through incorrect information.
- (2) Annotate correction or change, in ink, as close as possible to information to be corrected.
- (3) Annotate initials of person making correction and of authorizing official, if appropriate.
- (4) Provide a short explanation of reason for change or correction.

e. In the specific instance of corrections or changes on DeCAF 40-55, both the inventory team chief and DeCA management representative initials shall be annotated on both copies. If using an automated DeCAF 40-55, the contractor’s copy will be changed and initialed. A copy of the contractor’s DeCAF 40-55 will be maintained by the store along with a printed copy of the automated DeCAF 40-55.

CHAPTER 3

IN-HOUSE INVENTORY

3-1. PURPOSE. To provide guidance on how to conduct a two count physical inventory normally performed by DeCA personnel who are divided into count and validation teams, and monitored by representatives assigned by DeCA management. Commissaries, CDCs, and CMPP management may request the services of a contractor to supplement inventory teams when sufficient numbers of DeCA employees are not available. When using a contractor, the commissary, CDC, or CMPP will conduct one count by contractor personnel and one count by DeCA personnel. Comply with the requirements set forth in the PWS.

3-2. AREAS TO BE INVENTORIED. Areas may include any or all of the following: grocery; meat; produce; and DeCA-owned bakery, deli, and seafood departments within commissaries; or meat products within the CMPP. This includes items on the sales floor, perishable and nonperishable storage rooms, processing and/or preparation rooms, contiguous and remote warehouses, warehouse backup and storage areas, and CDCs.

3-3. FREQUENCY. In-house inventories are conducted at least once a year IAW guidance contained in an annual Resource Management AI memorandum as supplemented by region direction and guidance.

3-4. RESPONSIBILITIES. Responsibility for the inventory will rest with the Government for government-owned product and inventory responsibility will rest with the contractor for contractor-owned product unless there is negligence on the part of the government.

3-5. STORE DIRECTOR RESPONSIBILITIES. Store directors will prepare and plan for AIs as follows:

a. 60 to 14 Days Before. Prepare an inventory plan and notify all designated personnel in writing of their roles in inventory processes.

b. 60 Days Before. Ensure proper planning of the ordering process to maintain adequate stock availability throughout the inventory period.

c. 60 Days Before. Notify all suppliers of product and services CA contractors, vendors and vendor stockers, distributors, and unions of the inventory schedule and how it will affect them.

d. 7 to 4 Days Before. Ensure all supplies (tape, pencils, markers, etc.) needed to conduct inventory are on hand.

e. 4 to 0 Days Before. Identify and stamp all “before inventory” transactions.

f. 1 Day Before.

(1) Ensure count sheets for all areas are prepared.

(2) Ensure the master DeCAF 40-55 has been prepared, as required.

(3) Post section numbers.

(4) Ensure pricing has been completed for the sales floor and backup storage (includes random weight).

(5) Indicate either by posting a label or tag on cases or pallets: the tie and tier of pallet lots; the unit or pound pack per case; and the number of units and prices of contents of “open and broken” cases or containers.

(6) Perform a walk-through to ensure preparations are complete.

g. Day of.

(1) Ensure two independent teams are conducting the counts and dollar values match. Recounts may be necessary by each team to ensure counts are accurate.

(2) Ensure the master DeCAF 40-55 is properly annotated and completed.

(3) Record counts on DeCAF 40-106 and forward to RAD/ACBU with back-up information.

(4) Each inventory team for the meat and produce department should contain at least one impartial member from another department. Department managers may serve as a validation team chief but may not be on the primary team or have access to the primary team’s documentation.

h. 0 to 7 Days After. Identify and stamp all “after inventory” transactions.

3-6. DOCUMENTS AND PREPARATION REQUIRED. ROs shall ensure DeCAF 40-55 is used to record section inventory values and is prepared and handled as follows:

a. Except when DeCA’s Interactive Business System (DIBS), outside the continental United States or point of sale capability is used for doing inventory counts, in-house inventory teams will do all counts manually, with dollar value extensions done separately. For in-house inventory, prepare inventory count sheets designed for sales floor or for backup/storage area counts, as appropriate, for all sections that will be counted. Section numbers indicated on these inventory count sheets must match the section numbers assigned for count/valuation on DeCAF 40-55.

b. Prepare count sheets for the sales floor and backup/storage areas, as appropriate, for all sections selected for validation. Refer to current PWS for sections selected for validation. The section numbers indicated on these validation count sheets must match the section numbers shown on DeCAF 40-55.

NOTE: When using a portable calculator, ensure two matching calculator tapes are attached.

c. To safeguard the integrity of the validation process, ROs shall ensure information regarding location, count, and value of a section selected for validation is not made known to any member or members of the inventory team until such time as the inventory count/valuation for the section selected for validation has been completed and posted to DeCAF 40-55.

d. ROs shall ensure inventory certification forms are prepared and handled correctly. Departmental dollar value totals are computed in-house, usually by support personnel of the facility inventoried. The RO, in conjunction with the inventory team chief and validation team chief, will complete DeCAF

40-106 (see Appendix B). The RO shall forward in-house inventory certification documents to RAD or ACBU (DeCA Europe).

3-7. INVENTORY COUNTS AND RECORDING SECTION VALUES. The inventory count will begin at the completion of the briefing and facility walk-through.

a. During in-house AIs, except when hand-held terminals are used, DeCA inventory team personnel enter the number of items times price (sales areas) or number of cases times unit pack times price (storage/warehouse areas) on count sheets designed and prepared for use in each of these areas.

(1) As a means of controlling count sheets during in-house inventories, charting the progress of the inventory count, and indicating the sections in which the validation process must be initiated, the inventory team leader or other designated personnel shall annotate, in the left-hand margin of both the inventory and management copies of DeCAF 40-55, opposite the section number, the initials of the inventory team member to whom the count sheet for the section was issued, and the time the count sheet was issued. As inventory team personnel complete each section count and return count sheet(s) to the AI control point, inventory "control" personnel shall annotate "C" for "completed" and the time completed, on the left-hand end of the section block in column 2 of DeCAF 40-55. Annotate on both contractor and DeCA manual copies.

(2) At region or local management option, DeCA personnel assisting with in-house inventory may do dollar value extensions of these inventory count sheets as each count is completed, or only after all counts have been completed.

(3) The activities of in-house inventory team personnel are directed by the inventory team chief. DeCA personnel who are otherwise involved in the AI process must be careful not to take any action to compromise the independence of the inventory count/validation, the integrity of the validation process, or that of the AI. All price extensions, computation of subaccount, departmental, and overall inventory dollar values are done by DeCA personnel, and the inventory certification is done by the RO, in conjunction with the inventory team chief and the validation team chief.

b. ROs shall ensure DeCA assistance/support personnel (and subaccount contract personnel, if not prohibited by contract) previously identified in the AI plan and acting in coordination with the inventory manager, are available to help, as necessary. The facility or inventory manager shall also ensure information or the means to obtain information is readily available, if needed.

(1) Assign DeCA assistance/support personnel with knowledge of departmental/subaccount areas to be available for all departmental and subaccount areas which will be counted.

(2) DeCA assistance/support personnel shall do price checks/verifications, and must have access to scanning terminals, price lists, or to some other means of obtaining accurate and current price information; and will also do unit pack/pallet tie and tier verifications. DeCA assistance/support personnel shall generally do whatever else may be necessary to clarify or correct information or conditions threatening the accuracy or progress of the inventory count/valuation.

(3) ROs shall caution assistance/support personnel to be careful not to take any action compromising the independence of the inventory count, the integrity of the validation process, or that of the AI when providing their services.

c. During both contract and in-house inventories, inventory team personnel shall count/value items sold by weight which are on display, or which are not in full case lots, by actually weighing the items

rather than by simply estimating weight. As a variation on the general rule of complete independence of inventory count/valuation, whether contract or in-house, such items may be weighed jointly by inventory team personnel and DeCA AI assistance/support personnel or subaccount contract personnel, as applicable. DeCA support personnel will place items on the scale, replace items as weighing is completed, and will move the scale (if portable or mobile). Inventory team personnel shall record item weights and prices per pound by the use of held-held terminals or on count sheets.

d. ROs shall ensure any changes or corrections to the AI documentation is performed IAW the published procedures, and changes to any information recorded on DeCAF 40-55 are made on both the inventory team copy and DeCA management copy. General procedure for making corrections is:

- (1) Draw a single ink line through incorrect information.
- (2) Annotate correction or change, in ink, as close as possible to information to be corrected.
- (3) Annotate initials of person making correction and of authorizing official, if appropriate.
- (4) Provide a short explanation of reason for change or correction.

(5) In the specific instance of corrections or changes on DeCAF 40-55, both the inventory team chief and DeCA management representative initials shall be annotated on both copies.

3-8. MEAT DEPARTMENTS/CENTRAL MEAT PROCESSING PLANT (CMPP).

a. Commissaries conducting meat department inventories will take a dollar value count and a full or partial validation count of all meat and deli items located in the department's storage boxes, processing areas, and display cases.

b. The CMPP will take a dollar value count and a full or partial validation count of all meat items located in the storage and picking room.

3-9. FAT AND BONES. Fat and bones to be disposed of will be priced at 100 percent of the set contract price. List fat and bones on the form as a single line item entry in the same way required for processed items (where applicable).

3-10. INVENTORY UNPROCESSED BULK MEAT.

- a. Inventory beef trimmings at current ground beef price.
- b. Commissaries round off fractions of weight using the mil rule.
- c. CMPP inventory value of primal at receipt price.

3-11. PREPACKAGED MEATS. Inventory vendor prepackaged merchandise at the selling price (where applicable).

3-12. WEIGHING MEATS. Meat items needing to be weighed can be inventoried by the in-house inventory and validation team members simultaneously.

CHAPTER 4

RECORD OF OPERATIONS - MONTHLY DEPARTMENTAL INVENTORY

4-1. PURPOSE. To provide guidance to the department manager who will use the wall-to-wall method for all department inventories by counting all items in the order in which they are stored or displayed from one wall to another. The total monetary count is recorded on the approved record of operations inventory document located in the RAD files and automatically sent to the stores.

4-2. AREAS TO BE INVENTORIED. May include meat, produce and DeCA-owned bakery, deli and seafood departments to include items on the sales floor, perishable and nonperishable storage rooms, processing and/or preparation rooms, contiguous and remote warehouses, warehouse back-up and storage areas, and distribution centers.

4-3. FREQUENCY. Department items will be inventoried at least once each month. The inventory may be taken up to 6 days before the last day of the month (unless another date has been approved), and compared with the debit/credit balance to determine the status of the account for gains/losses. The accountable officer may authorize the inventory to be taken at the end of the month.

4-4. RESPONSIBILITIES. Inventory teams made up of government employees will be assigned for each department being inventoried. The inventory team will enter counts on section IV of the record of operations form or another approved form. The monetary value of display case items may be used in place of an item inventory for the trial balance. Each team member will sign the inventory. Then, one of the team members will hand-carry their copy to the Office of the Store Director for price extension and to determine the status of the department account.

4-5. BACKUP STORAGE COUNTS. Backup storage counts may be taken before the close of business on inventory days. No item may be moved from storage for sale after the inventory. If items are restocked, the count must be adjusted.

4-6. DISPLAY CASE INVENTORY. Inventory display cases as soon as possible after the commissary closes. Make sure items are separated and cases are in order to get an exact count. Manual count sheets may be used to track counts during the inventory process but use of an adding machine is recommended to validate accuracy of count. The total value of all items will be listed on one adding machine tape and will be attached to the inventory record. Inventory display case items at resale price.

4-7. FAT AND BONES. When conducting meat department inventories, fat and bones to be disposed of will be priced at 100 percent of the set contract price. List fat and bones on the record of operations form as a single line item entry in the same way required for processed items.

4-8. UNPROCESSED BULK PRODUCE. Produce items needing to be weighed can be inventoried simultaneously by the inventory and validation teams. Inventory unprocessed bulk produce items at invoice cost.

4-9. INVENTORY COPIES. The department manager will sign and send the original of the monthly inventory to the Office of the Store Director. The manager will keep a second copy in the department file for 12 months.

4-10. INVENTORY GAIN OR LOSS. The meat department will have a gain or loss not to exceed 2 percent for the monthly inventories. The produce department's maximum allowed variance is 2 percent (loss), and up to a 4 percent (gain) for the monthly inventories. The region-wide cumulative accountable variance for the meat department should be no greater than +0.3 percent gain/no loss and the region-wide cumulative accountable variance for the produce department should be no greater than +1 percent gain/no loss. Meat and produce departments will have 3 months after formal inventory to get their cumulative variance in tolerance while not exceeding the monthly allowable variance of +/-2 percent for the meat department and 2 percent (loss) and up to a 4 percent (gain) for the produce department.

4-11. AUTHORIZED VARIANCES. ROs will use the following authorized variances by department for AIs, and also within the same department for monthly versus cumulative results of record of operations.

- (1) Grocery department includes DeCA-owned bakeries: +/-1 percent.
- (2) Meat department includes DeCA-owned deli and seafood: +0.3 percent gain/no loss.
- (3) Produce department (all commissaries): +1 percent gain/no loss.
- (4) CDC (all areas; but excludes the Europe CMPP): +/-0.2 percent.
- (5) CMPP: +0.3 percent gain/no loss.
- (6) Tobacco Department: +/-0.85 percent.

CHAPTER 5

TOBACCO INVENTORY

5-1. PURPOSE. Provide guidance to store directors who must conduct periodic physical inventories to determine the value of resale assets.

5-2. CONDUCTING TOBACCO INVENTORIES. Commissaries that receive tobacco support from the Army and Air Force Exchange Service (AAFES) will conduct an annual inventory of tobacco products. Semiannual inventories with the exchange are only required if the commissary was out of tolerance the previous year. Physical inventory will be conducted jointly by commissary and AAFES personnel. AAFES and Naval Exchange Service Command (NEXCOM) accounting months/quarters will be sent every January to the commissaries. Naval Weapons Station Charleston, Moffett Field, and Pearl Harbor commissaries receiving tobacco support from NEXCOM will conduct a 100 percent physical inventory of tobacco products at the end of each Exchange quarter. The scheduled dates of inventories are the last business day of the Exchange quarter after close of business.

a. DeCA requires all commissaries selling tobacco to conduct in-house inventories at least monthly.

b. The commissary will complete the tobacco reconciliation worksheet provided in DeCAD 40-5, Grocery Department Operations, Chapter 14, and the inventory certification (Figure 1). Forward one copy each to the region POC.

c. Commissary tobacco will be inventoried at the regular DeCA shelf price and NOT at the vendor price reduction price. The commissary inventory can be a universal product code (UPC) scanned inventory. A locally prepared form including current regular prices will be used to capture the inventory counts. DeCA and AAFES personnel must agree on the total inventory value prior to AAFES personnel signing the document and leaving the commissary.

d. Refer to DeCAD 40-5, Grocery Department Operations, Chapter 14 for guidance.

NOTE: Caution for locations receiving from AAFES Distribution Centers: Manifests (receipts) must be annotated as “BEFORE INVENTORY” or “AFTER INVENTORY” for the 2 weeks prior to and after the inventory date. AAFES posts the order to the book inventory when it leaves the distribution center. If the order has not been received, it is considered as merchandise in-transit. Copies of the receipts for “BEFORE INVENTORY” should be given to the AAFES POC at the time of the physical inventory.

INVENTORY CERTIFICATION

Commissary: _____

Date: _____

DODAAC: _____

We, the undersigned, certify the inventory was conducted according to established procedures of all TOBACCO PRODUCTS on this date. We certify the dollar value listed below is true and correct to the best of our knowledge and belief.

The total dollar value of the inventory was \$_____

Signature: _____

Signature: _____

Printed Name: _____

Inventory Team Chief
(DeCA)

Printed Name: _____

Inventory Team Chief
(AAFES/NEXCOM)

Signature: _____

Printed Name: _____

Store Director

Figure 1. Inventory Certification

CHAPTER 6

ACCOUNTABLE INVENTORY PROCEDURES FOR CENTRAL DISTRIBUTION CENTERS (CDC) IN DeCA EUROPE AND FAR EAST LOCATIONS

6-1. PURPOSE. Provide instruction on how to conduct CDC inventories in DeCA Europe and Far East locations.

6-2. CONDUCTING CDC INVENTORIES. Includes stock and inventory quantities of semi-perishable and perishable items and consumable supplies for the support of their commissaries. The CDC manager must ensure all the required procedures are followed in order for the inventory to be accomplished in a timely manner.

6-3. PREPARATION. Personnel performing the inventory will come from in-house resources unless assistance is requested to assist CDC personnel, or a commercial contractor is used.

a. The CDC warehouse manager will:

- (1) Assemble all inventory supervisors, team leaders, team members, and PIT operators.
- (2) Present an oral briefing stressing the purpose and importance of the physical inventory. The inventory project manager or region management will assist in the briefing, as required. The briefing should include review of performance requirements, accuracy, and timeliness goals.
- (3) Assign inventory teams to CDC warehouse inventory sections according to the CDC warehouse diagram layout.
- (4) Assign inventory team leaders to CDC warehouse locations for general supervision and coordination.
- (5) Assign PIT operators to assist specific inventory teams.
- (6) Inform inventory team members and PIT operators when to report to designated inventory sections.
- (7) Ensure inventory teams and team leaders report to designated inventory sections.

b. The inventory project manager will issue UPC labels/catalog numbers, section tags (where required), multiple colored markers, calculators, papers, and fully charged radio frequency hand-held terminals (RF-HHT) to inventory teams.

NOTE: The same hand-held inventory program can be used at CDCs located in the Far East, United Kingdom, or Fort Wainwright, Alaska.

c. The inventory project manager will ensure, throughout the course of the inventory, there are enough “charged” batteries on hand.

d. Counting teams will start counting at the location assigned by the inventory team leader.

e. The inventory project manager will ensure:

- (1) The prepared schematic of the warehouse is divided by sections. These sections will correspond to the locator control number (DIBS only) or to the inventory count code assigned by the control office prior to the RF-HHT session being opened (Pick Ticket Management System (PkMS) only).
- (2) Plans for the inventory are reviewed and finalized at least two workdays prior to the actual inventory date.
- (3) Numbered sections for the inventory are clearly marked at the start and end of each section. Also, verify the in-flow racks for slot sequence, identification labels, and issue packs; and ensure overflow pallets have slot tags, UPC/catalog number, tie count, and complete layers (DIBS only).
- (4) The inventory code assigned by the control office will represent the aisles to be inventoried. An inventory supervisor will enter into the RF-HHT the aisle and the count; i.e., (E01A) 'E' is warehouse, '01' is the aisle, 'A' is prime locations, and 'R' is reserve locations. The system asks for first or second count sequence to be entered (PkMS).
- (5) All pallets have been squared off, have proper tie count, and honeycombing has been eliminated.
- (6) Where possible, cross-aisle merchandise has been placed into racks and identified (DIBS only).
- (7) Line-up bulk merchandise in uniform pallet loads. Label with slot tags and UPC/catalog numbers showing (DIBS only). For locations with warehouse management systems (WMS), assign prime or reserve locations for all license plate numbers (LPN) - a unique number, typically a barcode can be assigned to any arbitrary group of inventory. LPNs enable users to perform complex inventory transactions via a single barcode scan, improving efficiency and accuracy.
- (8) Line-up one-time buy merchandise in uniform pallet loads with slot tags and UPC/catalog numbers showing (DIBS only). For locations with WMS, assign prime or reserve locations for all LPNs and ensure pallets are marked if one case is one pallet.
- (9) All "return-to-vendor" merchandise has been identified and shows the UPC/catalog number, issue packs (DIBS only). For locations with WMS, if product is bought back, LPN should be in a consumed status. Product which is still pending must be located in a reserve location without any lock code associated with the product for inventory purposes.
- (10) All items in the salvage area should be processed prior to inventory; however, if products are left, they need to be identified with tags indicating the total dollar amount (DIBS only). WMS products need to be processed prior to going into inventory. If product is not processed, it needs to be re-received and then located into a reserve location.

6-4. ACCOUNTING REQUIREMENTS. The manager must ensure the supporting service center (RAD or ACBU) is notified 30 days in advance of the inventory date, and all debit and credit documentation has been processed up to the date of the inventory. Accounting procedures of DeCA Directive 70-6 will be followed to report the results of the physical AI.

6-5. ADMINISTRATIVE REQUIREMENTS. Management will ensure a locally devised log is provided with section numbers assigned. The log shall include spaces for the first team and second team; it will include at least the assigned section number, persons to be assigned to the section, the start time, and end time.

6-6. VALIDATIONS. All validations must be performed by separate teams with individuals who have no knowledge of the section dollar value. CDCs will perform true “blind” counts by having two different count teams enter the total first and second counts directly into the RF-HHT while scanning the location, instead of writing the total count on the pick slot location.

6-7. PROCEDURES AND CONTROLS FOR DIBS-ONLY INVENTORY. The inventory will be a two-count, case count system.

- a. Count teams will be divided into count team 1 and count team 2. Each team will consist of two members, one to do the count and one to enter the count into the RF-HHT.
- b. Ensure each count team counts the location at a different time. Each team will have a way of identifying the pallet/location to ensure the section has been counted.
- c. After the count team has completed counting the section, the RF-HHT will be given to the section supervisor to turn in to the inventory management control (IMC) section to download the data.
- d. After the RF-HHTs have been downloaded, the IMC will update the RF-HHT count in DIBS and run the recount list.
- e. The recount list will be given to the team designated to do the recounts. Individuals who did the first or second counts cannot do the recounts.
- f. The recount list will be done on paper and returned to the IMC. The IMC staff will check the counts against the first two counts in DIBS. If the count matches one of those, the IMC staff will enter it as the final count.
- g. When differences are discovered, a recount is performed. Only if the third count does not match, a fourth and final count will be performed by a fourth inventory team with a team chief observing to determine correct count.
- h. Counts are adjusted when two counts match or two of the four counts are within an acceptable tolerance. Once the multiple count reconciliation is clean and shows no discrepancies, the booking process takes place.
- i. After all recounts are complete, the IMC team will run a preliminary inventory results list. This list will be reviewed for errors, checking both large overages/shortages of items. These items will be verified before running the final inventory results list.
- j. Provide final reconciled section results to the CDC manager.
- k. The CDC manager may temporarily suspend the formal inventory count at any time if he or she feels the inventory is being conducted improperly, or the count has been corrupted in any way. The manager must contact the region for authorization to cancel the inventory.

6-8. AUTOMATED CDC WAREHOUSE ACCOUNTABILITY INVENTORY.

a. The region notifies CDCs of dates to conduct physical inventories. The RAD/ACBU is contacted to inform the accounting section of the schedule dates.

(1) The CDC will generate a physical inventory count list for a CDC warehouse listing, with both picking and nonpicking slot numbers in ascending, alphanumeric sequence to allow for a wall-to-wall count.

(2) The CDC warehouse manager will maintain a copy of the “locator number control” listing for entering UPC/catalog number changes as they occur. Two listings are used, one in locator sequence, the other in UPC/catalog number sequence.

(3) The UPC/catalog number of items stored in each slot will be verified to the locator number control and physical inventory count list prior to the day of the inventory.

(4) Any discrepancies which are found, or any items which do not appear on the count list, must be encoded into the automated system to ensure all items in the warehouse will be on the actual inventory count list. Failure to do so can result in a disproportionate inventory. All items will have a warehouse location before the inventory.

b. The inventory will be a two-count system.

(1) Count teams will be divided into count team 1 and count team 2. Each team will consist of two members, one to do the count and one to enter the count into the RF-HHT.

(2) Ensure each count team counts the location at a different time. Each team will have a way of identifying the pallet/location to ensure the section has been counted.

(3) After the count team has completed counting the section, the RF-HHT will be given to the section supervisor. The supervisor will give the count team their next section and ensure they are correctly logged into the RF-HHT.

(4) After both first and second counts have been completed for a section, reconciliation (recount) will be run in the WMS.

(5) The recount list will be given to the team designated to do the recounts. Individuals who did the first or second counts cannot do the recounts.

(6) The recount list will be done on paper and returned to the IMC. The IMC staff will check the counts against the first two counts in WMS. If the count matches one of those, the IMC staff will enter it as the final count.

(7) After all recounts are complete, the IMC team will run a 605 PIX transaction in WMS. This will generate the DIBS Inventory Results Report.

(8) The report is given to the CDC management for review.

(9) The CDC manager may temporarily suspend the formal inventory count at any time if they feel the inventory is being conducted improperly, or the count has been corrupted in any way. The CDC manager must contact the region for authorization to cancel the inventory.

6-9. MANAGEMENT SYSTEMS CDC WAREHOUSE ACCOUNTABILITY INVENTORY. In coordination with the RAD/ABCU, ensure any pulls and file maintenance transactions for the warehouse from DIBS to the WMS is completed. Ensure all wave processes are completed and final pulls closed out in DIBS and the WMS. Perform all required checks according to preinventory preparations as outlined in the WMS (PkMS or WMS) manual. Ensure all financials are processed prior to “freezing” either in DIBS or PkMS or WMS. Ensure DIBS catalog master file for physical inventory has been frozen and all warehouse locations are frozen in PkMS. “Freezing” the warehouse in DIBS locks all processes except the physical inventory process. Users cannot access the system except under physical inventory in DIBS. Follow all detailed instructions which are located in the PkMS or WMS manual.

a. Preparation. Develop milestones once inventory dates are established; prepare warehouse to ensure location barcodes can be scanned. Ensure LPNs have been located through RF-HHT procedures; date sensitive items must be cycle counted prior to starting inventory. All locked LPNs must be unlocked prior to inventory; a listing must be generated of the LPNs containing a lock code to ensure the correct ones are locked after coming out of inventory. Structure query language is a query that is run to check system data for errors in the database which may cause problems during inventory, such as negative prime locations. Contact HQ to arrange coverage of DIBS and PkMS prior to the inventory. Failure to do so can result in a disproportionate inventory.

b. Two-Count System. The inventory will be a two-count system. One team will conduct the first count using the automated count sheets or RF-HHTs. A second team will conduct the second count using separate automated count sheets or RF-HHTs. In no instance will the same person or count team conduct both the first and second counts for the identical inventory locations.

(1) When both first and second counts for a count code are completed, the control office will then run a Frozen But Not Counted Report to confirm all locations have been counted and all counts for the same LPN/UPC in the location are the same. Once the frozen But Not Counted Report is cleaned, a Multiple Count Reconciliation Report is then processed. After the report prints, it shows any discrepancies by location, UPC, user, and the difference between first count and second count.

(2) When differences are discovered, a recount is performed. Only if the third count does not match, a fourth and final count will be performed by a fourth inventory team with a team chief observing to determine correct count.

(3) Counts are adjusted when two counts match, or two of the four counts are within an acceptable tolerance. Once the Multiple Count Reconciliation is clean and shows no discrepancies, the booking process takes place.

(4) Booking process creates PIX transaction, which is held until the CDC runs a 605. This updates DIBS and brings the CDC out of inventory. DIBS then generates an Inventory Results Report YPWM61 which has the inventory dollar amount.

(5) Completed inventory totals are then passed to automatic data processing/ACBU personnel for encoding processing and reporting to the CDC manager.

6-10. CYCLE COUNT FOR CDC.

a. Cyclic inventories are performed to keep an accurate inventory balance of each product carried by the CDC. Cyclic inventories insure the correct amount of product will be on hand for issue and will insure accurate ordering. When the balance-on-hand (BOH) for a product is found to be incorrect, a BOH adjustment must be made. Although the minimum requirement under WMS is to complete a cyclic count on prime locations once per year and to use audit checks to complete reserve locations, it is recommended a cyclic count for the entire CDC with DIBS is accomplished every quarter over a 12-week period. CDCs using DIBS should conduct weekly cyclic inventories. Records of these inventories shall be filed for 6 years and 3 months. CDCs using the WMS require some cyclic counts daily; i.e., warehouse denials and wave shortages. Under the WMS, complete turns of warehouse prime locations occur every 6 months. Reserve locations are done by audit which confirms the LPN are in the locations shown in the system. This is based on the DeCA Europe cycle count program created after WMS was put in place in the CDCs. This process has been approved by DeCA Europe. All data pertaining to the cycle counts are maintained from the date of the last inventory until the next inventory, with exception of the YPWM89 DIBS Report, the Cycle Count Report for all primes counted, and the Monthly Cyclic Inventory Adjustment Spreadsheet which need to be maintained 6 years, 3 months as required for financial documents.

b. Key Personnel and Duties. Personnel for performing the cyclical count are hired specifically for this purpose and come from in-house resources unless a commercial contractor is used. The CDC manager will:

- (1) Establish an inventory schedule established in the operational instructions.
- (2) Ensure the operational instructions for performing cyclic inventories are properly followed for their facility.
- (3) The cyclic inventories will be performed IAW the inventory schedule established in the operational instructions.
- (4) Delegate, in writing, who will be authorized to certify the Cyclic Inventory Exception Report.
- (5) Verify the daily amounts, identify any discrepancies, and certify the report upon receipt of the monthly Cyclic Inventory Adjustment spreadsheet from the ACBU. The signed copy will then be scanned to the ACBU within 24 hours of completion.
- (6) Ensure the ending and opening balances for the book inventory (maintained on the summary audit log (SAL)) correctly reflect the manual book adjustment for the cyclic inventory results during the period in which book adjustments are being made manually by the ACBU.
 - (a) The cycle count shift leader will manage cycle counters.
 - (b) The cycle counters perform counts of sections selected.

c. Accounting Requirements. The ACBU technician will receive the Cyclic Inventory Exception Report each time a report is generated. The technician will verify the document numbers assigned to each Cyclic Inventory Exception Report are sequential to ensure there is no missing report. Missing reports will either be obtained by requesting the print file be resent or by contacting the CDC for a scanned copy. The technician will annotate the applicable cyclic inventory adjustment spreadsheet with the daily net change in inventory from the Cyclic Inventory Exception Report. At the end of each month, the ACBU technician will send the Cyclic Inventory Adjustment Spreadsheet to the applicable CDC manager for review and signature. Upon receipt of the signed spreadsheet, an adjustment will be made in DIBS to the

book balance by the net monthly total and a corresponding financial transaction input into Standard Finance System (STANFINS). The responsibility of the ACBU technician to manually post the change to the book balance will remain in effect until such time as DIBS is updated to generate the adjusting transaction programmatically. Results of the cyclic inventories will be maintained at the CDC. The documentation will consist of:

(1) PkMS Cyclic Inventory Exception Report (WM89) with cycle count supervisor's signature and,

(2) Cycle Count Report. Cyclic inventory adjustments with management's signature.

d. Administrative Requirements. Management will ensure all necessary supplies for conducting the inventory (e.g., RF-HHT batteries, RF- HHT handhelds, pens, and forms) are available.

e. Procedures and Controls. The cyclic count inventory will consist of a cycle count supervisor and cycle count personnel.

(1) Reserve Audits.

(a) When performing reserve audits and pallets are not located where system indicates, the cycle counter must lock the pallet lost in cycle count or locate the LPN.

(b) Any pallet not in the correct reserve location must be locked as lost in cycle count.

(c) Supervisors will need to print out the Lost In Cycle Count Report daily.

(d) A complete cycle count of the prime location and all reserve locations associated with the UPC will need to be performed.

(e) If the above steps fail to produce the pallet then a complete visual of reserve locations in the warehouse which the prime resides would need to be completed to verify the pallet is not in warehouse.

(f) If all of the above fails to produce the pallet, the pallet would remain on the Lost In Cycle Count Report for 14 days to verify the pallet does not exist.

(2) Consume Pallets (Lost In Cycle Count).

(a) Pallets, after 14 days on the Lost In Cycle Count Report, need to be removed.

(b) The removed pallet would be cycle counted in the reserve location in which the system believes it is in.

(c) The cycle counter would scan the location; manually enter the LPN of the pallet.

(d) The system will then ask what the count is on the pallet; at this point, the cycle counter would enter a 0. This will allow the pix transaction to flow back to DIBS updating the financials.

(3) Damage.

(a) When damage occurs in the warehouse and cases are removed from prime locations or reserve locations, no cycle count is required using the RF-HHT.

(b) Supervisor will adjust the prime location; this prevents any updates of the financials on DIBS.

(c) Proper documentation needs to be maintained as to damage in the warehouse (DD Form 708, Inventory Adjustment Monetary Account).

(d) Reserve locations may be adjusted by using Modify LPN through User Interface only (LPN).

(4) Backhauls.

(a) Backhauls will not be counted.

(b) When backhauls are received, they will need to be received on a dummy container backed onto the CDC.

(c) Upon the completion of receiving all products (cases or pallets), a DeCAF 70-20, Subsistence Request for Issue, Turn-In or Transfer, will be used to update the financials.

(5) Expired Product.

(a) Pallets expired or outdated will need to be moved into a reserve location.

(b) Pallets in reserve location may be consumed using the RF-HHT by selecting the consume function.

(c) Prime locations need to be adjusted to avoid financials updating.

(d) Proper documentation; e.g., DeCAF 70-20, DeCAF 70-10, Vendor Credit Memo, needs to be completed and submitted to adjust financials.

(6) Pix Transaction Matrix. The following Pix codes are sent back to DIBS for updating financials.

(a) Type-300, Code-01, Action Code - 14.

(b) Type-300, Code-04, Action Code -14.

(7) Cyclic Inventories.

(a) Completion of cycle counts for each CDC depends on the size.

(b) The minimum is one complete count of the warehouse per year (prime locations), reserve locations are done with audit checks.

f. Preparation. LPN must be located in the location indicated in the user interface. Discrepancies which are noted where LPNs are not correct, or the LPN does not exist in the system, must be reported and the appropriate action taken to correct the discrepancy. Failure to do so can result in a disproportionate cyclical count.

APPENDIX A

ACCOUNTABILITY CHECKLIST

ACCOUNTABILITY INVENTORY CHECKLIST. Accountability is a team effort. Virtually every action the commissary and CDC personnel perform, and many other things occurring in day-to-day operations, have an affect on the resale accountability.

a. The accountability checklist (which follows) focuses attention on day-to-day operations most crucial to maintaining proper accountability. Part one of the checklist addresses causes and concerns and calls attention to areas of the operation to examine in detail if a quick review indicates you may have problems. Part two of the checklist indicates areas to examine during management reviews of out-of-variance AI results. Proper accountability requires moment-by-moment, day-by-day attention to detail. The checklist is not just important when it is time for an inventory, but to maintain day-to-day accountability. If you have not maintained day-to-day accountability for resale assets, the best inventory preparation and most careful and accurate count will not save your accounts from disaster.

b. Use of the checklist is mandatory. Upon completion of an AI, the completed checklist must be held on file with other AI materials until the completion of the next AI. During years in which the assessable unit accountability is scheduled in the DeCA Management Control Plan for review by a management control checklist, this checklist will serve to meet the management control requirement.

ACCOUNTABILITY CHECKLIST

PART ONE – CAUSES AND CONCERNS IN ACCOUNTABILITY

Accountability concerns can occur in every department. Spot checks should be conducted frequently in the following departments:

A-1. MANAGEMENT.

Personnel:

- Fill positions
- Scheduling
- Proper position description (e.g., receiving , supervisors, work leaders)
- Turnover
- Training (e.g., department supervisors, receivers)

Physical Space:

- Adequate
- Staff aware of and follows directives
- Staff aware of and follows contracts and memorandums of understanding
- Reviews escalation of book inventory
- Monitor government property Government Property Lost or Damaged (GPLD)
- Spot check Frequent Delivery System (FDS) process

A-2. PRICING.

- No price changes in the middle of roll-up
- Price verifications
- Applying and hanging price change labels
 - Review daily and scheduled price changes
- Check price difference - DIBS versus FDS
- Make sure items are assigned to the correct department codes
- Check shelves for common sense pricing
- Check price look ups (PLU) for location
- Control RSL
- Ensure prices are applied IAW instructions received
- Are Commissary Online Product and Pricing System (COPPS) and price verify (mismatch) reports being reviewed and errors corrected
- Ensure price marking equipment and supplies are controlled and distinctive labels are used for reducing product price

A-3. FRONT-END/SCANNING.

- Product identification training
 - Identify produce item by type
 - Is it meat or grocery
- Random check of scanning techniques
 - “Sweethearting” and “ghost shopping”

- Cashier accuracy test
- Proper coupon handling
- Check procedures for nonscan items
- Check refund policies and procedures
- Review front-end systems periodically
- Review price error procedures
- Ensure products are in the right department in the front-end system
- Evaluate all coupon transactions outside of sale to identify if your facility has a concern in this area

A-4. OFFICE OF THE STORE DIRECTOR.

- VCMs not collected or submitted in a timely manner
- Keying receipt and sales in wrong department
- Not getting credit for GPLDs
- Not processing GPLD into DIBS
- Not reporting shortages to distributor
- Not reviewing VRGC and reconciliation of Summary Audit Log (SAL)
- Proper posting of DIBS
- Check receipts for errors in extensions, especially Direct Store Delivery (DSD)
- Not all documents are being received
- Incorrect memorandum entries
- Failure to properly train personnel
- DeCAF 70-20 store transfers not processed or filled out incorrectly

A-5. SECURITY.

- Has a National Agency Check with written inquiries been requested on all civil service employees
- Effective lock and key control system
- Boxes flattened before leaving store and before putting in trash or baler
- All door openings controlled and monitored when doors are open/operational
- Employee entrances/exits/parking strictly controlled
- Are all emergency exit doors equipped with local audible alarms and panic hardware or other emergency exit devices
- Are all emergency exit alarms being checked weekly, with the check results marked For Official Use Only (FOUO) and protected
- Ensure outside freezer and storage areas are secured
- Ensure rollup receiving doors are secured when unattended to prevent unauthorized access/exit
- Ensure padlocks are relocked to the hasp or stable and not left in the open position
- Night login and logout book established
- Control vendor stocking access to facility
- Periodic package checks
- Management checking nighttime operations
- Control grazing and take immediate action if found
- All supervisors/management at night must patrol store
- Is exterior lighting adequate

- Are exterior lighting controls inaccessible to unauthorized individuals
- Enforce badges for employees, contractors, vendor stockers, and visitors.
- Secure tobacco products
- Control employee lockers
- Control merchandise leaving store; items listed on VCMs

A-6. GROCERY.

- Cigarette control
- Case pack problems
- Taking product from store shelves to use as store supplies without documentation
- Noninvolvement from computer assisted ordering/orders (CAO) personnel on orders, overwrites, and display merchandise
- Failure to document interdepartmental transfers
- Proper scheduling of personnel, especially night personnel
- 100 percent verification of VCM counts for merchandise returned to vendor

A-7. AWAREHOUSE/BACKROOM.

- Not organized
- Sanitation
- Control over damaged merchandise
 - Enforcement of contract for shelf stocking and receiving/storage/holding
- Working of markdowns, vendor stocked damage
- Track salvage on a daily basis

A-8. GROCERY – CAO.

- Order display merchandise for delivery after price changes: Avoid “Buy High, Sell Low”
- Make sure to keep up with deleted items on shelves, designate an area for deleted items
- Monitor overwrites
- Work flagged item reports
- Work in harmony with contractors and night quality assurance evaluators (QAE)

A-9. GROCERY – RECEIVING.

- Perform 100 percent random in-checks of FDS delivery no less than once a week
- Perform random spot check of DSD receiving no less than twice a week
- Ensure all receivers are trained
- Rotate receiving personnel every 90 days per guidance in DeCAD 40-5, Grocery Department Operations
- Make sure mispicks are identified and returned to distributor
- Justify refused shipments and make sure credit is applied
- Look for outdated/short coded merchandise
- Look for hidden damage and make sure credit is given by distributor

ACCOUNTABILITY CHECKLIST

PART TWO - ACCOUNTABILITY MANAGEMENT CHECK LIST

GENERAL MANAGEMENT

	YES	NO
1. Are authorized positions filled?	_____	_____
2. Are personnel properly scheduled to include night operations, weekends, and paydays?	_____	_____
3. Are interdepartmental transfers being managed and documented?	_____	_____
4. Is the store director reviewing the book inventory monthly?	_____	_____
5. Are GPLDs submitted when required and in a timely manner?	_____	_____
6. Is physical space being properly used?	_____	_____
7. Is personnel turnover a problem and is corrective action taken?	_____	_____
8. Are all management personnel in compliance with DeCA directives?	_____	_____
9. Have personnel received training, department supervisors, QAEs, receivers, etc.?	_____	_____
10. Are inventories conducted in accordance with DeCA directives?	_____	_____
11. Is management present during monthly inventories in the meat and produce departments?	_____	_____
12. Are personnel being cross trained into different departments?	_____	_____
13. Does the store director and store administrator make random visits at nights and on weekends, and document these visits?	_____	_____

ACCOUNTABILITY CHECKLIST

PART TWO - ACCOUNTABILITY MANAGEMENT CHECK LIST

PRICING

	YES	NO
1. Has the 100 percent pricing verification been completed this month?	_____	_____
a. Has the weekly price verification been completed for end caps?	_____	_____
b. Have shelf prices been verified against DIBS?	_____	_____
c. Have shelf prices been verified against front-end scan?	_____	_____
d. Were "invalid items" researched and either added or deleted to appropriate systems?	_____	_____
e. Were "corrected prices" loaded to the front-end system?	_____	_____
f. Has the Commissary On-Line Products and Pricing System(COPPS) report been researched and corrections made after mid-month and end-of-month (EOM) price changes are applied?	_____	_____
g. Has the price verify (mismatch) report been reviewed after the COPPS report is corrected and are errors researched and corrected?	_____	_____
2. Were price changes applied within the time restraints set by DeCA?	_____	_____
a. Were prices applied to the front-end on correct date?	_____	_____
b. Were new labels put up before store opening?	_____	_____
c. Were new items reviewed to ensure they were placed in the proper department?	_____	_____
3. Are cashiers/grocery personnel alert for common sense pricing errors?	_____	_____
4. Are PLUs being reviewed for proper identification and location?	_____	_____

ACCOUNTABILITY CHECKLIST

PART TWO - ACCOUNTABILITY MANAGEMENT CHECK LIST

RECEIVING

	YES	NO
1. Are DSD and DSD-S items in-checked by line item?	_____	_____
2. Do receivers actually count each item during in-checking?	_____	_____
3. Do receivers ensure invoices match pricing and quantities received per DeCA orders?	_____	_____
4. Are FDS products in-checked by blind case count?	_____	_____
a. Are mispicks returned to the distributor within the required timeframe in memorandum of understanding (MOU)?	_____	_____
b. Are overages, shortages, and mispicks properly documented and submitted?	_____	_____
c. Is random sampling being performed and 100 percent counts being performed if counts are in error?	_____	_____
d. Is the store director requiring a once a week random 100 percent count of one of the FDS truck load deliveries?	_____	_____
5. Are vendor files in DSD handhelds being downloaded properly?	_____	_____
6. Is there sufficient equipment (RF-HHT, printers) to perform functions?	_____	_____
7. Do you keep track of hidden damage and ensure distributor picks up and pays VCM?	_____	_____
8. Do you notify the vendor when prices on the invoice/delivery ticket do not match the DIBS price; ensure the DIBS price will be taken; and ensure the vendor files a pricing discrepancy claim with the RAD/Quality Assurance Branch?	_____	_____
9. Receiving hours:		
a. Are specific hours set for DSD receiving?	_____	_____
b. Are FDS distributors meeting MOU delivery times?	_____	_____
c. Do shelf stocking; and receiving, stocking and custodial contracts contain receiving times consistent with FDS and DSD delivery times?	_____	_____

ACCOUNTABILITY CHECKLIST

PART TWO - ACCOUNTABILITY MANAGEMENT CHECK LIST

FRONT-END/SCANNING

	YES	NO
1. Is there a clear procedure in place to record and research items which do not scan or scan incorrectly?	_____	_____
a. If an item does not scan, does the cashier seek assistance/price check?	_____	_____
b. Are shelf price/front-end system the same?	_____	_____
2. Is a checker accuracy test being performed regularly (refunds, coupons)?	_____	_____
3. Are cashiers observed for possible "sweethearting," coupon problems?	_____	_____
4. Are produce prices changed daily or as necessary?	_____	_____
a. Are cashiers periodically tested for produce identification?	_____	_____
b. Do cashiers have current, well-maintained produce look-up codes?	_____	_____
5. Are cashiers periodically tested for meat/grocery identification?	_____	_____
6. Are procedures enforced for refunds, voids, dishonored checks, electronic benefit transfer, suspended and/or canceled transactions and tobacco refund receipts?	_____	_____
7. Is the canceled transaction report being run and checked daily?	_____	_____
8. Are EOM cashier reports compared against normalized amounts and high variances investigated, especially for keyed versus scanned coupon amounts?	_____	_____
9. Are cashier coupons being spot checked for accuracy in count and total value redeemed?	_____	_____

ACCOUNTABILITY CHECKLIST

PART TWO - ACCOUNTABILITY MANAGEMENT CHECK LIST

GROCERY

	YES	NO
1. Is merchandise being transferred accounted for?	_____	_____
2. Are some salvage losses made up through displaying of distressed merchandise?	_____	_____
3. Are CAOs actively involved in ordering special orders and display packages?	_____	_____
4. Is the receiving function receiving proper oversight?	_____	_____
5. Is the warehouse receiving proper oversight?	_____	_____
6. Is there a plan in effect to reduce backroom warehouse stock?	_____	_____
7. Are overwrites being flagged by QAEs in CAO at night after shelf stocking is accomplished?	_____	_____
8. Is a flagged item report being accomplished for overwrites and worked by CAO and shelf stocking contractor?	_____	_____

ACCOUNTABILITY CHECKLIST

PART TWO - ACCOUNTABILITY MANAGEMENT CHECK LIST

ORDERING

	YES	NO
1. Is display merchandise ordered to be received after sales prices are effective?	_____	_____
2. Is there communication between the grocery manager and CAO and contractors?	_____	_____
3. Are there programs in place to ensure an accurate BOH?	_____	_____
4. Is there a plan for quick sale of excess merchandise?	_____	_____

ACCOUNTABILITY CHECKLIST

PART TWO - ACCOUNTABILITY MANAGEMENT CHECK LIST

RECEIVING

	YES	NO
1. Nonauthorized Items:		
a. Are nonauthorized DSD items refused?	_____	_____
b. Are nonauthorized FDS items returned or new items processed?	_____	_____
c. For FDS items, are procedures in place to identify and research nonauthorized items to the receiving department?	_____	_____
d. Is there a place designated in the receiving warehouse for nonauthorized items to be segregated in the receiving, storage, and handling area?	_____	_____
2. Is overwrite area monitored for excess?	_____	_____
3. Are delivery ticket invoice (DTI) receipts kept in a locked area or hand-carried to the Office of the Store Director at the close of business?	_____	_____

ACCOUNTABILITY CHECKLIST

PART TWO - ACCOUNTABILITY MANAGEMENT CHECK LIST

WAREHOUSE/BACKROOM

	YES	NO
1. Is warehouse/backroom organized?	_____	_____
2. Is warehouse/backroom clean, sanitary, and free of infestation?	_____	_____
3. Is damaged merchandise controlled?	_____	_____
a. Is merchandise returned to distributor if received damaged?	_____	_____
b. Is saleable merchandise marked down and documented?	_____	_____
c. Is the contract enforced if damage was caused by contractor personnel?	_____	_____
d. Is salvage tracked daily?	_____	_____
4. Is merchandise being given away?	_____	_____
5. Is out-of-date merchandise returned for credit?	_____	_____
6. Is proper documentation obtained and merchandise checked before it leaves the warehouse areas; e.g., vendors go backs, vendor salvage, or special orders?	_____	_____

ACCOUNTABILITY CHECKLIST

PART TWO - ACCOUNTABILITY MANAGEMENT CHECK LIST

SECURITY

	YES	NO
1. Is an effective key and lock control/procedure established and enforced?	_____	_____
2. Are internal security controls maintained over all entrances/exits; especially during nonoperating hours?	_____	_____
a. Are all lockable doors kept locked and controlled?	_____	_____
b. Is the visitor badge program monitored and maintained?	_____	_____
3. Are employee procedures enforced?		
a. Has an unannounced package/parcel inspection for employees/contractors/baggers exiting the facility been established and is it being conducted?	_____	_____
b. Are employee entrances/exits/parking controlled?	_____	_____
c. Are locker inspections being conducted?	_____	_____
d. Are there employees who have too many visitors?	_____	_____
e. Are procedures in place for sales to employees who are a authorized patrons?	_____	_____
f. Are employee refunds approved by management?	_____	_____
g. Do food purchases during duty hours have a receipt attached?	_____	_____
h. Do cashiers keep personal belongings at their registers?	_____	_____
4. Do you ever check dumpsters?	_____	_____
5. Are ID badges worn by all (includes employees) who enter the store?	_____	_____
6. Are any areas of the store vulnerable to intrusion?	_____	_____
7. Are alarms installed (hard-wired) to exterior doors with breaker bars?	_____	_____
8. Are all tobacco products secured in the warehouse?	_____	_____
9. Are procedures in place to ensure all merchandise leaving the store (VCMs, special orders) properly accounted for?	_____	_____
10. Are procedures in place to control grazing?	_____	_____

YES NO

11. Does store director perform unannounced visits to the store during nonoperating hours?

a. Does store director interface with the QAE during nonoperating hours?

b. Is the store patrolled at night by store management?

12. Are boxes flattened prior to leaving the store?

13. Are all doors secure after operating hours and when opened is there presence of a night manager/QAE to monitor individuals arriving and leaving the building?

**ACCOUNTABILITY CHECKLIST
PART TWO - ACCOUNTABILITY MANAGEMENT CHECK LIST**

OFFICE OF THE STORE DIRECTOR

	YES	NO
1. Is the voucher register and general control (VRGC) audited and reviewed to ensure accuracy, as required?	_____	_____
2. Is DeCAF 40-10, Record of Operation, reconciled to the VRGC?	_____	_____
3. Are all accounting documents, dollar values, and document numbers reconciled with the Summary Audit Log (SAL) within 24 hours?	_____	_____
4. Are transactions from part one of the SAL posted to the VRGC within 24 hours?	_____	_____
5. Are financial correction forms properly prepared?	_____	_____
a. Are controls in place to identify the cause of errors and corrective action taken to prevent recurrence?	_____	_____
b. Is a copy of the correction form attached to the original documentation?	_____	_____
c. Are department managers informed of corrections as soon as they are posted?	_____	_____
6. Are VCMs prepared in a timely manner for FDS?	_____	_____
7. Are receipts in Direct Store Delivery Sales (DSD-S) finalized on the same day the items are received at the store and are DSD-S receipts transmitted daily?	_____	_____
8. Are receipts for each case and truckload sale (CATS) finalized on the same day the items are received at the store and are the receipts transmitted daily?	_____	_____
9. Is FDS reconciled promptly with the exception report to the order 876 report from CAO?	_____	_____
10. Are cigarette, produce, meat, deli/bakery records of operation being completed properly?	_____	_____
a. Are separation of function techniques in use for receiving, issuing, and inventorying cigarettes?	_____	_____
b. Are meat and produce receipts, sales, and inventory balance reconciled with VRGC?	_____	_____
c. Does each record of operation show the department being in tolerance?	_____	_____
d. Does the store director review record of operations with department	_____	_____

managers before signing and are corrective actions taken, when necessary?

YES **NO**

11. Is the DIBS posted only from source documents, and automated receipts transmits and rollups; i.e., DSD rollups, DSD-D daily transmits, CATS daily transmits, requisition order receipts and FDO rollups?

12. Are shortages, overages, and mispicks reported to the distributor within the required timeframe?

13. Are GPLD reports approved before being processed into DIBS?

14. Are receipts being worked without invoices resulting in duplicate entries?

15. Are vendor VCMs processed for product damaged by vendor stockers or outdated product applied?

16. Is quality assurance performed on receipts?

17. Are all logs reviewed to ensure documents are received in the SDO?

18. Have all required documents been scanned into DeCA Electronic Records Management and Archive System (DERMAS)?

**ACCOUNTABILITY CHECKLIST
CERTIFICATION FORM**

I certify the above-listed internal controls provide reasonable assurances DeCA resources are adequately safeguarded. I am satisfied if the above controls are fully operational; the internal controls for this subtask throughout DeCA are adequate.

Director, Performance and Policy
Functional Proponent

Affix signature below only when this checklist is used as a Management Control Checklist.

I have reviewed this subtask within my organization and have supplemented the prescribed Internal Review Control Checklist when warranted by unique environmental circumstances. The controls prescribed in this checklist, as amended, are in place and operational for my organization (except for the weaknesses described in the attached plan, which includes schedules for correcting weaknesses).

Assessable Unit Manager (Signature/Date)
(May be Grocery Manager, Store Manager, or Store Administrator)

APPENDIX B

INVENTORY DOCUMENTS

The documents shown in this Appendix are the principal documents used during AI. Each document is annotated to indicate purpose, with an abbreviated description of procedures for preparation and use, and with a cross-reference to the portion of the text in which the document is discussed.

Includes:

DeCAF 40-106, Dollar Value Inventory Certification

DeCAF 40-55, Inventory Control Log

DOLLAR VALUE INVENTORY CERTIFICATION <i>(For use of this form, see DeCAD 40-21; OPR is DOB.)</i>			
CONTRACT NUMBER: _____	I/AW THE PWS, A DOLLAR VALUE INVENTORY WAS CONDUCTED AT: <i>(Name of Store)</i>		
DELIVERY ORDER NUMBER: _____			
GOVERNMENT "WALK-THROUGH" WITH CONTRACTOR			
As required by the PWS, the Government provided a "walk-through" of the facility to review inventory preparation. (Optional) My comments on this "walk-through" are as follows.			
_____ Signature, Contractor Representative/Printed Title			
DATE(S) CONDUCTED:			
FIRST DAY:	SCHEDULED START TIME:		SCHEDULED END TIME:
	ACTUAL START TIME:		ACTUAL END TIME:
SECOND DAY: <i>(if applicable)</i>	SCHEDULED START TIME:		SCHEDULED END TIME:
	ACTUAL START TIME:		ACTUAL END TIME:
# OF CONTRACTOR WORK HOURS		TOTAL DOLLAR AMOUNT:	
Show the total number of work hours including supervisory hours that the Contractor used to conduct inventory		GROCERY DEPARTMENT	
		SALES FLOOR TOTAL:	
		WAREHOUSE TOTAL:	
		WAREHOUSE TOTAL: <i>(Remote, if applicable)</i>	
		DEPARTMENT TOTAL:	
WE, THE UNDERSIGNED, CERTIFY THE FOLLOWING:			
a. That performance period (Dates, Starting and Ending Times) indicated above are correct.			
b. That the contractor has determined the section values shown on the inventory control log and the totals recorded above are independent of government intervention or input.			
c. That all section values shown on the inventory control log and the values recorded on this certification are correct to the best of our knowledge.			
d. That sections the government had selected for validation were not revealed to the contractor until after the contractor had completed the initial count of a validation section.			
e. That no tobacco products are included in the inventory values shown above.			
f. Contractor certifies that validations were done independently by an individual who had no knowledge of the previous count of that section.			
g. Government representatives observed all validation counts.			
REMARKS			
ENDING TIME EXCEEDED DUE TO: (Enter 'not applicable' if inventory was completed prior to required end time.)			
CONTRACTOR'S REPRESENTATIVE:		DeCA STORE DIRECTOR:	
Printed/Typed Name: _____	DATE: _____	Printed/Typed Name: _____	DATE: _____
Signature: _____		Signature: _____	

DeCA Form 40-106, Mar 2009

Supersedes DeCAF 40-106, Dec 2006

DeCAF 40-106, Dollar Value Inventory Certification

APPENDIX C

SAMPLE FORMAT FOR PRE-INVENTORY BRIEFING

(This format may be used for briefing prior to either contract or in-house inventory counts. However, modify the format to suit the method of inventory, and to accurately and completely depict local circumstances. The briefing should be most detailed, but also simply presented, for installation inventory teams who do not regularly do this kind of work; and much less detailed for contract inventory teams who do this professionally, and for whom the terms of the PWS rule. At a minimum, address topics indicated for inclusion in briefing; but also include any additional information contributing to the accomplishment of an efficient, accurate, and complete AI for the particular circumstances/facility. Any part of the text, such as the opening remarks, which is written in detail to indicate tone as well as content, need not be stated exactly as written. Include in the briefing all personnel, including DeCA personnel, who will be involved in any way (e.g., inventory team, validation team, assistance) in AI physical count/valuation.

-- WELCOME, INTRODUCE SELF, THANKS FOR COMING, etc.

The purpose of this briefing is to explain the reason we are doing this physical inventory; to provide information regarding schedule and location of facilities for personal use; to discuss safety and security; and to describe procedures used to do the inventory. Right after this briefing, we will make a walk-through to review inventory preparations and to look at facility layout. If, during this briefing, during the walk-through, or at anytime during the inventory you have questions or concerns about anything, please let me know, or one the team members for whom I will introduce to you, know.

-- INTRODUCE KEY DeCA PERSONNEL AND KEY INSTALLATION OR CONTRACT PERSONNEL; INDICATE GENERAL ROLES IN INVENTORY PROCESS. IDENTIFY SPECIFICALLY THOSE TO WHOM QUESTIONS, etc., MAY BE DIRECTED.

DeCA requires a determination of account status be made at least annually, and, as part of this process, we need to do a physical inventory count/valuation of all resale assets (the merchandise we sell). The purpose of this physical inventory count is to determine, as accurately and as completely as possible, the dollar value of all resale assets currently on hand. In doing so, we will not be concerned with the kinds (brands, sizes, etc.) of items we will be counting, but only with how many of each there are, and with the dollar value of these items. We will not count operating supplies or equipment during this inventory. The dollar values from the physical count, combined with other financial information, will be compared with the departmental dollar values tracked on paper (book values), to find the difference. This difference, gain or loss, indicates how well, or how badly, we have managed and safeguarded DeCA assets. Because this physical inventory count is the basis for a financial "report card," it is most important you are very careful and thorough in performing your role.

Here is some practical information you will need:

-- DISCUSS SCHEDULE, including start time, breaks, lunch, finish time. (If contract, this cannot be dictated, but should have been sufficiently coordinated beforehand so contract and DeCA personnel are in sync.)

-- INDICATE LOCATION OF RESTROOMS, WATER FOUNTAINS, SMOKING AREAS, BREAK ROOM, RESTAURANTS/SNACK BARS, TELEPHONES (and rules for use), AND ANY AREAS "OFF LIMITS."

Here are SAFETY and SECURITY considerations/concerns:

-- DISCUSS GOOD SAFETY PRACTICES, WITH EMPHASIS ON PROPER OPERATION/USE OF PIT EQUIPMENT, PROPER LIFTING TECHNIQUES, ACCIDENT REPORTING, AND SPECIAL CARE IN HAZARDOUS AREAS; e.g., HOUSE RACKING, HIGH STACKS OF PRODUCT, SLIPPERY FLOORS.

-- DISCUSS GOOD SECURITY PRACTICES, WITH EMPHASIS ON ENTRY/EXIT CONTROLS, GRAZING/PILFERAGE, AND SENSITIVE ITEM AREA CONTROLS.

Here are the procedures we shall use to do inventory:

-- INDICATE LOCATION OF INVENTORY CONTROL POINT, PERSONNEL WHO WILL BE MANNING THIS LOCATION, AND WHAT HAPPENS AT CONTROL POINT. (For contract, this is the point from which contract team chief will direct activities of contract personnel, and at which DeCA inventory personnel and contract personnel will coordinate in dealing with inventory documents, etc. For in-house, this is the point from which DeCA management personnel will make all section count assignments, issue and retrieve count sheets, and at which inventory team, validation team, and DeCA management will coordinate in dealing with inventory documents, etc.)

-- IN-HOUSE ONLY - Describe procedures for direction of count in each section (e.g., start with the top shelf and proceed from top to bottom, counting items on each shelf; or in single level display or storage, proceeding from left to right); and FOR ENTERING INFORMATION ON COUNT SHEETS;

-- CONTRACT OR IN-HOUSE - For handling items needing to be weighed and other special cases (e.g., collections of dissimilar items, etc.), indicate where to locate prices/unit packs/pallet ties; and whom to consult for price checks or other missing/unclear information.

Please be accurate, careful, thorough, and responsible in doing this inventory. Please ask questions whenever you feel it is necessary. Thank you for your help in completing this important task. We shall now go for a walk-through of the facility.

(DURING WALK-THROUGH, POINT OUT THE VARIOUS AREAS; e.g., restrooms)

As described in briefing:

Explain sectioning; indicate which areas are sales floor areas and which are back-up/storage areas.

Point out the areas or merchandise not included in the inventory.

Call attention to obscure or "hidden" areas or items included in inventory.

Show locations at which prices, unit packs, pallet ties, or any other information needed for counting are to be found.

Identify any areas of safety or security concerns.

Call attention to any other matters you feel will help inventory folks do their jobs accurately, completely, and efficiently.

GLOSSARY

DEFINITIONS

accountable inventory (AI). A physical, wall-to-wall, dollar value inventory of all resale merchandise which establishes accountability. Only results of an AI are used as a basis for computing account status and for adjusting financial records.

allowable validation variance (AVV). The percentage difference between physical AI (first) counts and validation (second) counts, if not exceeded, will result in acceptance of inventory counts as accurate.

authorized variance. The range in which account status, indicated by comparison of book inventory value and physical inventory value, may vary from zero. The rationale for permitting these variances is to allow some flexibility in operation and to account for unidentified “costs of doing business.” Usually described as percentage gain or loss compared to total sales recorded in an account, and expressed mathematically as +/-x%.

balance-on-hand (BOH). Line item inventory procedures are normally used to conduct reorder inventories or to adjust BOH. CDCs maintaining BOH information for items carried typically do line item AIs, both to determine dollar value of inventory and to verify/adjust BOH information.

book inventory. The dollar value of assets shown in financial records, and based on debits and credits derived from day-to-day documentation of receipts, sales, transfers, and other transactions.

bulk items. Items not sold in standard count/weight packages, and for which a patron may determine the exact amount of the item he or she wishes to purchase. Some examples of bulk items are candy, coffee, or cookies, sold by the pound or by the piece.

collections of dissimilar items; e.g., misplaced or damaged item. Because patrons sometime select items and do not return these items to the shelf or display locations designated for these items, commissary personnel have to collect these items and eventually return these items to proper locations. To the extent the Government has such collections of dissimilar items on hand at time of inventory, the Government is responsible for determining the total value of collected items, and for providing these values to the contractor. Additionally, the Government has to include these collections in section 50 or 300 of DeCAF 40-55.

consecutively. Means the Government will not skip a number or numbers when assigning section numbers, and also the Government will, to the extent feasible, identify sections adjacent or physically close to one another in numerical sequence.

contract inventory. Physical, wall-to-wall, dollar value AI, management inventory performed by commercial firms working within the terms of a contract PWS and in conjunction with DeCA management personnel. In such inventories, the Government is also required to conform to the terms of the PWS.

dollar/physical value inventory. A physical inventory performed to determine only the dollar value of assets, with no concern for recording the types of items being counted/valued or for finding item balances on hand.

exception. Situation in which the value of a contractor's initial counts of a section and the contractor's validation (second) count of a section differ by more than a variance established by the Government. In such cases, the Government charges the contractor with an exception, and annotates "EX" opposite the appropriate section number on DeCAF 40-55.

error. Percentage difference between a reconciliation (third) count/valuation and an inventory (first) count/valuation exceeds the AVV.

freezing or frozen. Freezing the warehouse in DIBS locks all processes except the physical inventory process. Users cannot access the system except under physical inventory in DIBS.

grocery department, meat department, and produce department. Designations the Government uses to classify and account for items sold in commissaries. Items classified as "meat" are principally fresh and smoked beef, lamb, pork, and veal processed into retail cuts in the commissary. Items classified as "produce" are principally fresh fruits, vegetables, and plants. All items, except those classified as "meat" and "produce" items, are classified as "grocery" items. "Grocery" items include some types of meat, such as packaged lunchmeats, bacon, sausage, canned hams, and poultry products.

in-house inventory. A physical inventory performed by DeCA personnel, who are divided into count and validation teams, and overseen by DeCA management personnel.

initial count. Contractor's first count/valuation of a section. Unless validation of a section count/valuation calls the initial count into question, the initial count determines the value of a section reported in total inventory value.

Inventory Control Log (DeCAF 40-55). The administrative mechanism used by the Government and contractor to manage the inventory process. The Government and contractor both record section numbers on their respective log. As the contractor provides initial count, validation count, or reconciliation count section values to the Government, the Government records these section values in the appropriate columns of this log, performs computations relating to section values as necessary, records differences in section dollar values and percentage differences in the appropriate columns of this log, and records any exception the Government charges to the contractor in this log. This log is the official detailed record of inventory value

inventory team. A group of personnel who physically count items (and sometimes conduct validation counts) during a physical inventory. Depending on inventory method (i.e., contract or in-house), an inventory team may consist of contract personnel or DeCA personnel.

license plate number (LPN). A unique number (typically barcode) assigned to any arbitrary group of inventory. LPNs enable users to perform complex inventory transactions via a single barcode scan, improving efficiency and accuracy.

management inventories. A physical inventory (usually dollar value only) performed for a variety of reasons, none of which entail using the results of the inventory as a basis for the adjustment of financial records.

mass display area, end cap, rack, front-end merchandisers, and shippers. Various types of displays/display areas found in a commissary. These are considered to be "off-shelf" displays, as opposed to items displayed on shelving, bordering the aisles in a commissary. To the extent these various types of "off shelf" displays contains merchandise the contractor is required to count, the Government has to include these "off shelf" displays in sections, assign section numbers, etc., as the Government is

responsible for doing for any other merchandise the contractor is required to count during inventory.

powered industrial truck (PIT) equipment. Manually operated or powered equipment (e.g., forklifts, pallet jacks) the Government provides and operates to assist the contractor or DeCA employee during conduct of inventory.

performance date. The date specified in the task order on which the contractor has agreed to conduct inventory, and on which date the Government will be prepared for inventory as described in the PWS.

performance time. The period of time specified in the task order during which the contractor has agreed to conduct and complete inventory. The contractor is required to be present at the site of the inventory and ready to perform at the specified start time. The contractor is required to have completed inventory no later than the specified end time.

reconciliation counts. A count/valuation of items performed if the AVV for differences for a section between inventory (first) counts/valuations and validation (second) counts/valuations has been exceeded. This is only conducted if the overall inventory results are determined to be valid. Members of inventory teams and validation teams usually perform reconciliation counts/valuations jointly, and the resulting joint count/valuation is mutually agreed upon which will be officially accepted as the inventory value. The results of reconciliation (third) counts/valuations are also compared with inventory (first) counts/valuations to determine whether AVV has been exceeded, in which case the reconciliation count is used to calculate the overall inventory dollar value.

sales area. Portion of a commissary in which items are displayed principally by individual units readily available for sale to patrons. A commissary may also have some items in case lot quantities in the sales area.

scandown. The ability of industry representatives to reduce the sale price of products in the commissaries utilizing a centralized procedure at the DeCA HQ level. For example, specified products can be reduced in price in a select group of stores, zones, or regions using only one VCM paid by check or credit card. The number of items sold for a specified sales period, such as three days, will be captured at the DeCA HQ level, using the data warehouse scanning numbers drawn from each store's cash register system.

section. Physical division of items the contractor is required to count/value in which Government uses to manage the inventory process.

section number. The number the Government uses to identify the various physical divisions of items to be counted/valued. The ranges of section numbers the Government will use are specified in the PWS.

tobacco products. Includes cigarettes, cigars, chewing tobacco, and snuff products. Tobacco products are classified as grocery department items, but the contractor is not required to count/value tobacco products during inventory. The term "tobacco products" DOES NOT include smoking cessation items, such as Nicorette; nor does it include items such as cigarette lighters or matches. Smoking cessation items and such items as cigarette lighters and matches are included as part of the grocery department inventory.

validation. The process by which inventory counts, performed by either contract or in-house inventory teams, are verified as correct, within the range of a pre-established AVV.

validation (second) count. Contractor's count/valuation of a validation section, witnessed by a

Government observer which is compared to the initial contractor count of the section to assess the accuracy of the contractor's count/valuation.

validation section. Section selected by the Government for which the contractor is required to do a second count/valuation to compare to the initial contractor count of the section to assess the accuracy of the contractor's count/valuation.

validation team. A group of personnel who physically count items to validate an inventory count/value of the same items to verify the accuracy.

variance. Percentage of difference between a contractor's initial count/valuation of a section and validation count/valuation of a section the Government allows before charging the contractor with an exception.

warehouse/backup storage. Portion/those portions of a commissary in which items are held principally in case lot quantities not readily available for sale to patrons, although a commissary may also have some items in individual units in the warehouse/backup storage area. Subareas of the warehouse/backup storage area may include refrigerated or nonrefrigerated storage areas, a "salvage" area in which a commissary holds/processes damaged items, a "sensitive item control area" in which a commissary holds high value items, or other areas used for processing/preparation of items for sale.

GLOSSARY

ACRONYMS

ACBU	Accounts Control Business Unit
AAFES	Army and Air Force Exchange Service
AI	accountability inventory
AVV	allowable validation variance
BOH	balance-on-hand
CA	commercial activity
CAO	computer assisted ordering/orders
CATS	case and truckload sale
CDC	central distribution centers
CMPP	Central Meat Processing Plant
COPPS	Commissary Online Product and Pricing System
DeCAD	Defense Commissary Agency Directive
DeCAF	Defense Commissary Agency Form
DIBS	DeCA's interactive business system
DSD	direct store delivery
DSD-S	direct store delivery-sales
EOM	end of month
FDS	Frequent Delivery System
GPLD	government property lost or damage
HQ	headquarters
IAW	in accordance with
IMC	inventory management control
LPN	license plate number
MOU	memorandum of understanding
NEXCOM	Naval Exchange Service Command
PIT	powered industrial truck
PkMS	Pick Ticket Management System
PLU	price look up
POC	point of contact
PWS	performance work statement
QAE	quality assurance evaluator
RAD	Resale Accounting Division
RF-HHT	radio frequency hand-held terminals

RO	responsible officer
SAL	summary audit log
STANFINS	Standard Finance System
UPC	universal product code
VCM	vendor credit memorandums
VRGC	voucher register and general control
WMS	warehouse management system