

UNIVERSITY OF CALIFORNIA, BERKELEY

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SANTA BARBARA • SANTA CRUZ

OFFICE OF THE CHANCELLOR
200 CALIFORNIA HALL # 1500

BERKELEY, CA 94720-1500

November 16, 2001

Director K. Libby
Materiel Management

Re: Delegation of Authority - Operating Guidelines for
University Supply Inventories (Business and Finance Bulletin
BUS-54)

Effective immediately, in accordance with Business and Finance
Bulletin BUS-54, Operating Guidelines for University Supply
Inventories, I am re delegating to you as Director, Materiel
Management the responsibility for implementing the provisions of
this bulletin.

Please contact Manager Susan Combs in the Chancellor's Communications
and Resource Center with any concerns you may have regarding this
delegation of authority.



Robert M. Berdahl
Chancellor

Cc: Vice Chancellor H. Mitchell
Associate Vice Chancellor R. Coley
Assistant Chancellor J. Cummins
Manager S. Combs

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DAVID PIERPONT GARDNER
President

OFFICE OF THE PRESIDENT
BERKELEY, CALIFORNIA 94720

RONALD W. BRADY
Senior Vice President—
Administration

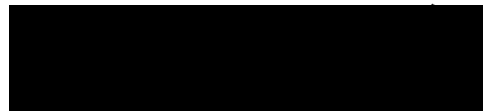
DATE: July 1, 1987
RE: BULLETIN NO.: BUS-54
PAGES: All
ACTION TAKEN: Revision

BUSINESS AND FINANCE BULLETIN ADDRESSEES:

Directions: Please remove and destroy BUS-54 dated March 17, 1976 and replace it with the attached revised BUS-54, "Operating Guidelines for University Supply Inventories," dated July 1, 1987.

Remarks: Revised BUS-54 is largely a consolidation of the previous guidelines and was prepared following consultation with staff on all campuses. Unnecessary or redundant language is deleted; more concise and accurate language is substituted. General administrative updates are made.

The most significant change is in Section IV., Use of University Supply Inventories. It permits other (i.e., non-University) not-for-profit organizations and activities, with the approval of the Chancellor, to requisition from University supply inventories. Previously, such exceptions were restricted to "organizations and activities closed allied to and officially associated with the University."



Afton E. Crooks

Attachment



UNIVERSITY OF CALIFORNIA

OFFICE OF THE SENIOR VICE PRESIDENT
ADMINISTRATION

BUSINESS AND FINANCE BULLETIN

Table with 3 columns: TITLE, NUMBER, EFFECTIVE DATE, and AUTHORIZED BY. Contains title 'OPERATING GUIDELINES FOR UNIVERSITY SUPPLY INVENTORIES', number 'BUS-54 (Revised)', date 'July 1, 1987', and authorized by 'Wayne S. Ove'.

I. INTRODUCTION

This bulletin establishes basic guidelines for maintenance and control of supply inventories within the University, e.g., central stores, department storerooms, production facilities, and similar functions to provide effective service and to maintain a high utilization of University resources.

University stores operations, both central and departmental, are service functions that maintain large inventories to aid teaching, research, and public service programs. The operating guidelines established herein apply primarily to these inventories. Substantial inventories are also maintained to support University production facilities; e.g., physical plant, reprographic departments, machine shops, and manufacturing laboratories.

University supply inventories are established to give prompt service and to obtain the economies available from aggregating demand and consolidating distribution and administration. They shall be subject to comprehensive, auditable material and financial control procedures. University inventory investment and administrative expense should be kept to the minimum consistent with need.

II. SCOPE

The provisions of this bulletin apply to supply inventories held for use or issue within the University when the combined inventory value of new and unissued material in a department exceeds \$50,000 at one or more locations on a campus or exceeds \$50,000 at an off campus location. A supply inventory is to be administered as a service enterprise or, if it serves a single organizational unit, it is to be included in the account structure of that unit. For production and manufacturing operations, job-charged primary materials, work-in-process inventories, and finished goods inventories are considered issued material. Although the provisions of this bulletin are mandatory for supply inventories that meet or exceed these criteria, these guidelines may also be applied to other inventories at campus option.

This bulletin does not apply to the major laboratories operated under contract with the U.S. Department of Energy nor to University activities selling to non-University customers: e.g., book stores, gift shops, pharmacies. These inventories are the only University inventories not subject to the provisions of BUS-54.

III. RESPONSIBILITY AND ORGANIZATIONAL RELATIONSHIPS

Coordination of all supply inventories that meet the criteria above shall be a centralized responsibility on each campus assigned through the Chancellor to the Materiel Manager. That authority, at the option of the Chancellor, may be either a coordinating responsibility or a direct operating responsibility. The Materiel Manager, as part of his or her coordinating responsibility, may review, question, and disallow, subject to approval by the Chancellor, departmental supply inventory practices, policies, and procedures.

Although overall coordinating authority rests with the Materiel Manager, a supply inventory maintained to serve a single department may be a direct responsibility of a department chairman so as to provide flexibility in meeting individual department needs. If a significant portion of the issue or recharge volume of a departmental supply inventory is for other departments, the Materiel Manager should be assigned direct operating authority for the operation.

If an administrative officer other than the Materiel Manager is assigned this responsibility, these guidelines are also applicable to that individual.

IV. USE OF UNIVERSITY SUPPLY INVENTORIES

Materials carried in University supply inventories are for the exclusive use of University departments. These departments should be encouraged to utilize to the fullest extent practical those supply inventories which provide the goods or services which they are requisitioning. Other (i.e., non-University) not-for-profit organizations and activities, with the approval of the Chancellor, may be permitted to requisition from those stocks, unless the material being requested was obtained by the University under its Federal excise tax exemption or is tax-free Ethyl Alcohol, in which case transfer is prohibited.

V. SUPPLY INVENTORY MANAGEMENT AND CONTROL

Inventories are to be maintained at levels which will provide a service level commensurate with bonafide user need and at the lowest ultimate cost to the University. An item should be placed in stock when usage is repetitive and/or there is a net economic advantage to the University which more than offsets the cost of handling as a stores item or when the requisitioner's service requirement cannot be met by direct shipment from the supplier.

The stock selection should be regularly reviewed to assure that the use pattern qualifies the item for continued retention. Obsolete and inactive items should be liquidated promptly to minimize losses. When an item qualifies for stocking, but its use is controlled by a single user, a commitment should be obtained that if the material becomes obsolete or its use is discontinued, any liquidation costs for remaining stock will be charged to the user. Every effort must be made to minimize such charges.

Standardization is to be encouraged on those items fulfilling a required function at the lowest cost by continuing analysis of requisitioner needs.

Adequate safeguards should be provided to protect University supply inventories from pilferage or other loss. Inventories are to be verified by physical count at least annually, preferably on a cyclical basis.

Stock adjustments are to have the signed approval of the Materiel Manager or designee who must not be the individual responsible for the inventory. Large adjustments shall be supported by an explanation.

Requisitioners are allowed to return excess materials to inventory for credit providing they are in like-new condition suitable for reissue. An equitable restocking charge may be established.

VI. DISCONTINUING A SUPPLY INVENTORY

When the value of a supply inventory or the total value of supply inventories within a department falls and remains below \$50,000 for an entire fiscal year, the campus may initiate action to discontinue the supply inventory's(ies') status.

VII. INVENTORIES FOR CONTRACT OR GRANT ACTIVITIES

Temporary inventories may be on hand for particular contract or grant funded projects or programs. However, activities funded by contracts and grants should not use such funds for acquiring supplies and materials for recharge to other users. Contract and grant funds should be charged only for supplies and materials used on each project or program. All Federal projects are to be credited for any excess material obtained that was expensed but not consumed during the project (Reference OMB Cir. No. A21, Par. 21). All such credits shall be borne by the department in which the contract or grant activity is located.

VIII. OPERATING PROCEDURES

Operating procedures are to be developed and maintained by the administrative officer or designee responsible for any supply inventory covered by this bulletin, subject to approval by the campus Materiel Manager. These procedures should provide comprehensive material and financial controls consistent with the guidelines of this bulletin and the individual department needs, and should be coordinated with other administrative functions, when applicable, e.g., Accounting, Physical Plant, etc.

IX. FUNDING OPERATIONS

The operating expenses of a store inventory are to be funded from a markup on the cost of goods sold and/or charges for services performed, so as to recover all elements of cost. For production and manufacturing operations, the procurement, storage, and handling costs of a raw materials inventory, as well as all other production costs, are to be included and recovered in the selling price of finished goods (Business and Finance Bulletin A-47).

X. PRICING MATERIALS OR SERVICES

Prices for materials or services are to be determined by an equitable method that is uniform to all requisitioners. Prices may be established to reflect quantities ordered or the value of services furnished. When a markup is charged, a variable or adjusted markup may be applied to achieve competitive pricing or to reflect operating economies; however, excessive requisitioner stocks are not to be encouraged.

Accumulated earnings are to be held at the minimum required for funding supply inventories and reasonable non-recurring expenditures.

XI. AUTHORITY TO APPROVE REQUISITIONS

Hard copy requisitions must have the signed approval of a person specifically authorized to do so by a department chairperson or his or her equivalent. It is the responsibility of the requisitioning department to review orders for unusual quantities, accuracy, and proper signature authorizations by establishing adequate controls to ensure existence of a complete audit trail.

Campuses may establish procedures for placing, accepting, and processing unsigned storehouse orders via telephone, teletype, or other electronic data processing equipment. Such procedures will include provisions for adequate controls to ensure the existence of a complete audit trail regardless of order method.

XII. ESTABLISHING AND DIRECT ORDERING AGAINST AGREEMENTS

The Materiel Manager should delegate authority to the individual responsible for a supply inventory to place orders for stock or issue directly with designated suppliers for items under University or campus agreements.

Planned Purchasing Program Commodity Managers should establish agreements with suppliers that reflect the price savings for supply inventories that bulk order quantities, reduced delivery and administrative costs provide. For certain high-volume items, University and campus agreements may be specifically designed to consolidate the activities of order placement and delivery within a small group of authorized users, if that is cost effective. To the extent practical, agreements shall optimize opportunities for business contracting with small business enterprises, particularly small disadvantaged and women's business enterprises.

XIII. RESPONSIBILITY

Chancellors are responsible for implementing the provisions of this bulletin.

XIV. REFERENCES

- A. Office of Management and Budget Circular No. A21
- B. Business and Finance Bulletin A-47,
"University Direct Costing Procedures"