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Department of Transportation

WAREHOUSING AND DISTRIBUTION OPERATING INSTRUCTIONS

AUTHORITY:

Sections 20.23(3)(a) and 334.048(3), Florida Statutes (F.S.)

STATEMENT OF POLICY:

It is the policy of the Florida Department of Transportation (Department) to establish uniform guidelines and operating procedures for the Department's warehouses.

PURPOSE:

This procedure establishes minimum operating standards and procedures to be used by warehouse personnel. Operating standards and procedures are needed to ensure consistent and effective warehousing management techniques are used within the Department's warehousing operations. Areas of primary concern include inventory control, security, adequate stocking levels, effective storage and handling of inventory, and prevention of obsolete and overstocked inventory. Most of the information necessary for proper daily warehousing operations and use of the Materials and Supplies Inventory (MSI) computer system is contained within the Department's ***Warehouse & Distribution Operations Handbook***.

SCOPE:

This procedure primarily applies to Local Operations/Maintenance Engineers and Warehouse Managers.

DEFINITIONS:

Actively Stocked Commodities: Commodities routinely maintained at the warehouse. These are typically items with a local demand that are cost effective to stock in the warehouse.

Commodity: A commodity is a specific material or item identified in the MSI database with a six-digit DOT Commodity number. All supplies, materials, goods, merchandise, etc. processed through the warehouse inventory system.

Critically Stocked Commodities: Commodities determined by the Local Operations/Maintenance Engineer as necessary for local maintenance operations. Examples of these commodities are items necessary for emergencies, safety, to keep moveable bridges operational, attenuators, traffic signage, etc.

Desk Audit: A biennial (every other year) review of inventory and paperwork conducted through the inventory counts, random paperwork and responses to the questionnaire to validate the overall administration of facility operations. The review is not a location audit and carries a score of 1 – 5. The findings are reported to management in a timely manner.

Local Demand: A demonstrated need for commodities on a local basis as confirmed by the Local Operations/Maintenance Engineer.

Local Operations/Maintenance Engineer: Department Engineer with purchasing authority for a maintenance yard or operations center.

Mini Warehouse: A warehouse with a number assigned for accountability of inventory used. It is for just in time purchases and the warehouse does not retain any inventory in stock.

Minimum Quantity Level: The level at which the warehouse inventory should never fall below as established by the Local Operation Engineer.

Materials and Supply Inventory System (MSI): The Department's electronic warehouse inventory system. MSI operates on the Department's mainframe computer.

Non-Consumable Commodities or Turn-In Items: Commodities that are not used up in performance of a job function. This includes, but is not limited to, hand tools, flashlights, safety equipment, rain suits, tape measures, etc.

Standard Specifications: A detailed written description of commodities in warehouse inventory describing materials, dimensions, and workmanship for something to be built, installed, or manufactured.

Turn-In Ledger: Ledger used to track Non-Consumable Commodities that are no longer useable when there is no original available to turn back in to the warehouse for replacement.

Warehouse: A facility, with a number assigned, for stocking and maintaining raw materials and manufactured goods to be signed out by DOT employees for use in day to day activities.

Warehouse & Distribution Operations Handbook: A document that provides detailed information on the operation and use of the MSI System.

1. WAREHOUSING OPERATIONS

- 1.1 The primary mission of warehousing operations is to support the Department's work force by providing materials and supplies in a timely and cost-effective means. In order to meet this mission, the following goals and objectives are established.
- 1.2 Provide regularly used commodities to the Department's work force upon request by:
 - (A) Determining what commodities are needed by users and establishing inventory levels.
 - (B) Maintaining an inventory of commodities that will allow for filling 90% of the requested quantity of actively stocked commodities.
 - (C) Maintaining an inventory of critically stocked commodities so that zero commodity levels do not occur.
 - (D) Maintaining an inventory so that no more than 5% of actively stocked commodities are at zero levels at any time.
- 1.3 Save an average of 15% of total costs for commodities acquired through the warehouse by complying with the following objectives:
 - (A) Acquiring materials in sufficient quantities to obtain cost breaks.
 - (B) Establishing and maintaining Department term contracts for regularly used items that are not on state (Department of Management Services - DMS) contracts.

- (C) Establishing statewide standard specifications that will provide the most cost-effective procurement of materials and supplies, where expenditures exceed \$35,000 annually.

1.4 Acquire and/or stock commodities needed by users that are not readily available locally by complying with the following objectives:

- (A) Determine what commodities are needed by users.
- (B) Establish and maintain DOT statewide term contracts for all regularly used items where annual expenditures exceed \$35,000 and the items are not available on state (DMS) contracts.

2. THE ROLE AND PURPOSE OF THE WAREHOUSE

2.1 Local Warehouse Role and Purposes:

- (A) Serve as the primary location for issuing routine maintenance materials that are used on a regular basis.
- (B) Support the needs of all local cost centers for general supplies, tools, and materials.
- (C) Provide for inventory, security and control of materials stocked in the local warehouses.
- (D) Provide a minimum level of critically stocked commodities to ensure the inventory does not reach zero at any time.
- (E) Serve as the primary location for providing automotive shop parts and materials that are used on a regular basis.
- (F) Establish practices to ensure the Department's warehouse mission, goals and objectives described in **Section 1** of this procedure are accomplished.

2.2 MINI WAREHOUSE ROLE AND PURPOSE:

- (A) Serve as the primary location for issuing routine maintenance materials that are used on a regular basis.

- (B) Support the needs of all local cost centers for general supplies, tools, and materials.
- (C) Serves for just in time purchases, there are no materials stocked in the mini warehouses.

3. WAREHOUSE STOCKING CRITERIA

- 3.1** Items may be added to the local warehouse stock upon approval of the Local Operations/Maintenance Engineer based on local demand and one of the following:
- Cost effective to stock
 - Hard to get items
 - Long delivery times
 - Items are determined to be critical to the Department's operations

Items with no local demand and not meeting the criteria above should be deleted from the warehouse stock as approved by the Local Operations/Maintenance Engineer.

4. WAREHOUSING REORDER POINTS

- 4.1** Reorder points on actively stocked commodities should be established based upon maintaining adequate inventory to cover the following periods before the stock level is depleted:
- Advertised and Bid Commodities - 60 days
 - Existing Term Contracts Commodities - 30 days
 - Sign Shop Commodities - 30 days
 - Informal Bid/Quoted Commodities - 30 days
- 4.2** For critical commodities, a minimum quantity level should be established and added to the suggested reorder points identified above.
- 4.3** These guidelines may not provide adequate time due to bid protests or other events that may postpone receipt of commodities. Planning for such delays could result in an unnecessarily large inventory in each warehouse. Instead, commodities that have a delay in stock may be purchased locally. The purchasing of commodities (normally provided by the warehouse or contract) should be limited to the quantities needed until the commodity can be stocked through normal practices.

5. WAREHOUSE REORDER QUANTITIES

5.1 The recommended minimum reorder quantities are as follows:

- Advertised and Bid Commodities - 90 days usage
- Term Contracts Commodities - 45 days usage
- Sign Shop Commodities - 30 days usage
- Informal Bid/Quoted Commodities - 30 days usage

6. INVENTORY CONTROL

6.1 Each warehouse, shall have available upon request a current key list containing the names of all parties who have access to the warehouse commodities. This key list shall include all on-call personnel with access to a rotating warehouse key or other individuals with access to a key box that contains a warehouse key. All key list individuals should have a valid need for access to commodities.

6.2 Each warehouse, on a monthly basis, shall randomly select a minimum of 200 commodity items and perform an inventory validation between MSI and actual shelf counts. Inventory adjustments will be made in accordance with the **Warehouse & Distribution Operations Handbook** instructions. If the monthly inventory check error rate exceeds 3%, subsequent monthly inventory counts should increase the number of line items counted until the error rate falls below 3%.

6.3 Authorization to draw supplies from inventory shall be based on either:

(A) Pre-approved authorization to order supplies through the MSI system. This is the preferred method.

(B) Walk-in transactions which were not entered in the MSI System. Cost Center Manager's must supply a list of DOT employees authorized to draw supplies to the District Maintenance Engineer and indicate which warehouses the DOT employee may use. The District Maintenance Engineer will forward a list of the employees approved for walk-in transactions to the appropriate warehouses in the District. Each walk-in authorization list expires on June 30 of each year.

6.4 Cost distribution charges to a Financial Project number shall be made in accordance with the **Warehouse & Distribution Operations Handbook** and **Routine Maintenance Cost Collection, Topic No. 350-020-002**.

6.5 Damaged Non-Consumable Commodities must be turned in for replacement by crews. These commodities will be placed in bins in the warehouse and shall be reviewed by the Local Operations/Maintenance Engineer, or their designee, on a

monthly basis to determine if a problem exists. Any such problems will be addressed in the most appropriate method for that warehouse. Non-Consumable Commodities in the damage bins will be disposed of each month after review by the Local Operations/Maintenance Engineer, or their designee. Non-Consumable Commodities not available for turn-in must be placed on the Turn-In Ledger. 6.6 A Turn-In Ledger shall be kept for non-consumable commodities. Included in the Ledger should be any non-consumable commodity where the employee does not have the original item to turn-in. The Turn-In Ledger shall be reviewed and initialed by the Local Operations/Maintenance Engineer or designee on a monthly basis.

- 6.7 MSI records shall be updated by the close of business each day to reflect warehouse transactions that occurred that day. Errors found in MSI records shall be corrected the next working day.
- 6.8 A filing system shall be kept by type of file (Issue Ticket, Receipt from Vendor, Electronic Procurement, etc.) in chronological order. In this filing system should be all Transfers, Adjustments, Stock Replenishments, Issue Tickets, Receipt from Vendors, E-Pro, etc. (this list is not all inclusive).

Make sure to include any required justifications; such as: Non-use of PRIDE or RESPECT, Reason for Single Source, Non-use of Agency Contracts, Project Requirements & Cancellations, End of Year Requirements, etc.

- 6.9 Commodities which have no activity over long periods of time must be kept to a minimum. Non-Critical commodities with no activity for 18 months or more will be listed on a **No Activity Report**. The total dollar value of commodities on the **No Activity Report** should be kept below 2% of each warehouse's inventory level. Signs which are considered non-critical will also be excluded.

Critical items of each warehouse's inventory will be excluded from the Overstock Report and **No Activity Report**. Actions to reduce commodities on these reports should include, transferring the commodity to another warehouse which is actively using the particular commodity, or declaring the merchandise as surplus and disposing of it in accordance with the **Warehouse & Distribution Operations Handbook**, warehouse instructions and Surplus Property Disposal Procedures #350-090-005 (current version).

7. WAREHOUSE & DISTRIBUTION OPERATIONS HANDBOOK

- 7.1 The **Warehouse & Distribution Operations Handbook** provides direction for record keeping, use of the MSI system, and proper warehousing practices. It allows

individual District management to acquire a greater level of detail for individual management needs.

- 7.2** Updates to the ***Warehouse & Distribution Operations Handbook*** are issued by the Central Office Warehousing Operations Office. Significant changes will be covered through numbered memorandums. Updates will also be dispersed electronically through email.
- 7.3** Additional copies of the ***Warehouse & Distribution Operations Handbook*** may be obtained by contacting Central Office Warehouse Operations, 605 Suwannee Street, MS 52, Tallahassee, Florida 32399-0450, telephone (850) 410-5757. The ***Handbook*** is also available on the Office of Maintenance SharePoint site.

8. QUALITY ASSURANCE REVIEW

All warehouses will have an annual review conducted each fiscal year. Program areas reviewed include Inventory Controls, Security of Facilities and Inventory, Inventory Stocking Levels, Storage and Handling of Materials, Prevention of Obsolete and Overstocked Commodities, No Activity Commodities and Materials and Supply Inventory Records.

- (A) Location Quality Assurance Review: This is a biennial (every other year) Location Audit that is offset by a Desk Audit; unless there are extenuating circumstances that may require back to back Location Audits (ie. District Maintenance Audits, unsatisfactory scores, District request, etc.).
- (B) Desk Audit Review: This is a biennial (every other year) Desk Audit that is offset by a location audit; unless there are extenuating circumstances that may require back to back Desk Audits (ie. weather, travel issues, scheduling issues, etc.).

9. RECORD RETENTION

All warehouse documents shall be retained on-site for a minimum of two (2) fiscal years. Duplicate files and other records or electronic files should be retained until obsolete, superseded or when the administrative value is lost. Retention schedules and procedures for Purchase Orders, Purchasing Cards, and other records must be followed and may require the records to be stored for longer periods.

10. TRAINING

Training for MSI systems and daily warehouse operations may be provided by the Central Office Warehouse Operations through a variety of methods (email, one-on-one, teleconference, Webinars, Go-to-Meetings, etc.). Training methods will be dependent on individuals needing training, level of training needed and budget availability.

Periodically this course will be offered at the district level when substantial changes to warehousing operations have occurred. This training is identified as **Course No. CU-07-0001, Materials Supply Inventory**. The course will be announced when available.

11. FORMS

The following forms are available in the Departments Forms Library or may be obtained by contacting Central Office Warehouse Operations:

- 175-020-01, Inventory Control Ledger for Non-Consumable Items (turn-in items)
- 175-020-02, Commodity Evaluation
- 175-020-04, Inventory Item Deficiency Report
- 175-020-05, Excess Construction Materials