

**STATE OF RHODE ISLAND  
PROCUREMENT REGULATIONS**

**SECTION 11 – INVENTORY WAREHOUSING MANAGEMENT**



**Amended regulations adopted June 20, 2011**

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The following amended State of Rhode Island Procurement Regulations were adopted by me, as Director of the State of Rhode Island Department of Administration, on the \_\_\_\_\_ day of June 2011.

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Date of Public Notice: May 5, 2011  
Date of Public Hearing: June 8, 2011  
End of Comment Period: June 8, 2011

## **SECTION 11 - INVENTORY WAREHOUSING MANAGEMENT**

11.1 AUTHORITY FOR THE CENTRALIZATION  
OF MANAGEMENT AND CONTROL OF WAREHOUSING  
IS SET FORTH IN RIGL [37-2-12(1)].----- 11-4

11.2 EACH AGENCY, WITHIN ITS JURISDICTION,  
SHALL BE RESPONSIBLE FOR ASSESSMENT OF CURRENT  
SYSTEMS AND PROCEDURES AND TO ASSURE COMPLIANCE  
WITH THESE REGULATIONS. REQUESTS FOR ASSISTANCE  
IN THE IMPLEMENTATION OF THESE PROCEDURES SHALL  
BE ADDRESSED TO THE CHIEF PURCHASING OFFICER.----- 11-4

11.3 COST EFFECTIVE CONTROLS, EITHER MANUAL OR  
COMPUTERIZED, SHALL BE IMPLEMENTED AND MAINTAINED  
TO ACHIEVE APPROPRIATE INVENTORY AND WAREHOUSING  
OBJECTIVES.----- 11-4

11.4 AT ANY TIME, THE CHIEF PURCHASING OFFICER MAY  
DIRECT OR REQUIRE REPORTS, PRESENTATIONS, OR FIELD  
AUDITS TO MEASURE LEVELS OF COMPLIANCE AND  
SHALL DIRECT CORRECTION OF DEFICIENCIES DISCOVERED. ----- 11-6

11.5 AS REQUIRED UNDER ROUTINE ESTABLISHED  
PROCEDURE OR AS DIRECTED BY THE CHIEF PURCHASING  
OFFICER OR HIS DESIGNEE, USER AGENCIES OF SUPPLIES,  
FOODSTUFFS AND OTHER WAREHOUSED COMMODITIES  
SHALL PREPARE PERIODIC FORECASTS OF REQUIREMENTS  
TO IDENTIFY AND REPORT UPWARD OR DOWNWARD SHIFTS IN  
PROJECTED USAGE, THEREBY MITIGATING INVENTORY  
SURPLUSES OR SHORTAGES RESULTING FROM INVENTORY  
REPLENISHMENT DECISIONS OR TECHNIQUES BASED SOLELY  
ON HISTORICAL USAGE.----- 11-6

## **SECTION 11 - INVENTORY WAREHOUSING MANAGEMENT**

11.1 Authority for the centralization of management and control of warehousing is set forth in RIGL [37-2-12(1)].

11.1.1 Under the jurisdiction of the Chief Purchasing Officer or his designee, action as appropriate shall be taken and continuously maintained to assure least cost availability of supplies, foodstuffs, and other commodities necessary to the efficiency of Agency services and State Government.

11.1.2 A decision to classify a storage facility as a storeroom or as a warehouse shall be at the discretion of the Chief Purchasing Officer.

11.2 Each agency, within its jurisdiction, shall be responsible for assessment of current systems and procedures and to assure compliance with these regulations. Requests for assistance in the implementation of these procedures shall be addressed to the Chief Purchasing Officer.

11.3 Cost effective controls, either manual or computerized, shall be implemented and maintained to achieve appropriate inventory and warehousing objectives.

11.3.1 The following inventory control techniques, as defined in a glossary published by the American Production and Inventory Control Society (APICS), and held to be widely accepted practices relative to inventory control, shall be implemented where appropriate.

11.3.1.1 Reorder point determination based on factors of delivery lead time and safety stock to assure timely order without incurring stock-outs of critical supplies, foodstuffs, or other commodities.

11.3.1.2 Inventory classification procedure to stratify inventory items by value based on factors of unit cost and usage, with controlling inventory policy dependent upon value. Such inventory classification is known as "ABC" inventory classification or "Pareto" distribution.

11.3.1.3 Economic lot sizing for determination of replenishing order quantity utilizing one or more of a variety of proven techniques and incorporating factors of usage, lead time, acquisition cost inventory, carrying costs, and unit cost.

11.3.1.4 Safety stock calculation based upon inventory cost and criticality of stock-out situations. Factors of even/uneven usage and varying replenishment lead time shall be determined and applied as appropriate.

11.3.2 Efficient warehouse operation shall require, but is not limited to, the following procedures as appropriate:

11.3.2.1 Physical lot control procedures or methods shall be used to prevent or minimize economic loss of inventory due to deterioration in storage, obsolescence, or expired data code or shelf life.

11.3.2.2 Cycle counting of inventory or periodic physical inventories as prescribed shall be taken to reconcile inventory balances and assure highest inventory accuracy.

11.3.2.3 Inventory Accuracy objectives shall be established based upon inventory stratification by value (ABC analysis) and accuracy levels. These shall be published and monitored. Any required corrective action as a result of these procedures shall be taken by appropriate supervisory personnel.

11.3.2.4 Inventory location systems as appropriate shall be implemented to maximize space utilization and efficiency of order picking, inventory accessibility, and prevention of accidental injury.

11.3.2.5 Safety rules shall be developed, communicated and enforced to prevent accidental injury due to improper operation of material handling equipment, to ensure routine use of personal safety equipment, and to preclude other breach of safety rules.

11.3.2.6 Housekeeping and general warehouse cleanliness shall be maintained to a high standard.

11.3.2.7 Security of warehouse facilities shall be of a quality to prevent loss of inventory due to theft or pilferage, or damage or destruction to facility due to fire or other external causes resulting from failure to properly secure the facility.

11.4 At any time, the Chief Purchasing Officer may direct or require reports, presentations, or field audits to measure levels of compliance and shall direct correction of deficiencies discovered.

11.5 As required under routine established procedure or as directed by the Chief Purchasing Officer or his designee, user agencies of supplies, foodstuffs and other warehoused commodities shall prepare periodic forecasts of requirements to identify and report upward or downward shifts in projected usage, thereby mitigating inventory surpluses or shortages resulting from inventory replenishment decisions or techniques based solely on historical usage.