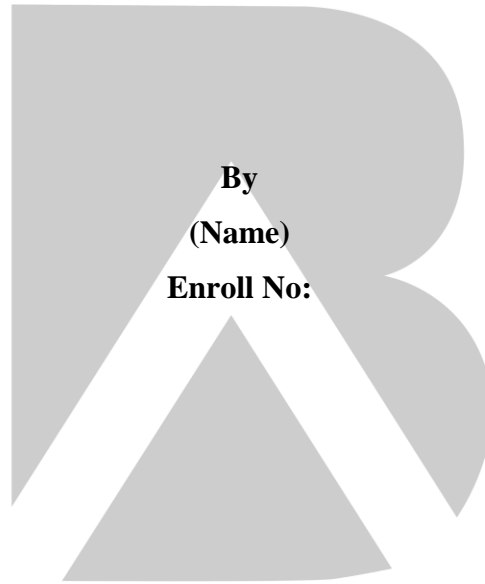


MANAGEMENT THESIS ON

Proprieties of Inventory Management in Sai Automobiles



**By
(Name)
Enroll No:**

BIZASTRA

Let's Business

**SAI AUTOMOBILES
AUTHORISED DEALER OF SWARAJ MAZDA**

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ACKNOWLEDGEMENT

My gratitude cannot be simply expressed in words towards the many people who have guided me and I am very thankful to all of them to make our project successful.

First of all I am very thankful to my parents who constantly encouraged me and work hard and to persevere at my every endeavor. I am thankful to the faculty members of my College who gave me guidance to successfully complete this project.

I would also like to thank my faculty guide, Ms. _____ & my company guide Mr. _____ who helped me in recognizing my potential to do the assigned work in the stipulated time and with the resources available.

Date

Name

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List Of Table and Photo

- 1 Inventory data by required by DOC inventory control manual
- 2 Manufacture parts items with Inadequate description
- 3 Item Listed in two three times on worksheets plus difference between worksheet
And quick book numbers and prices

List of Photos

- 1 Oil and fuel tanks and other spare parts
- 2 Cracked wall with missing and loose bricks in SSD
- 3 Creaked and torn partitions in a condemned section
- 4 Over stroke and absolute inventory
- 5 Dead Inventory & wastage
- 6 Structure layout

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Abbreviation

POD : Print-on-Demand

RFID : Radio Frequency Identification

JIT : Just In Time

S.O.P: Standard Operating Procedures

NIMPs :New implement Management Program

GAS :Government auditing standards

SSD : Service Support Division



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ABSTRACT

This report on Sai Automobiles presents the results of a Testing and Demonstration Project on applications for improved inventory management systems. The study on inventory management was for the commercial vehicle of Swaraj Mazda; conducted at selected transit properties on how to apply and measure the benefits of improved inventory performance indicators, including the use of technology. The results of the studies were then analyzed to determine the relationships between inventory control factors and management performance, the conditions under which inventory management techniques are best applied, and implementation issues and solutions to potential problems when applying the inventory control techniques. The characteristics of public transit properties (such as demographics, organization, etc. that affect the application of the inventory control techniques were also identified.

A large, light gray watermark logo is centered on the page. It consists of a stylized letter 'B' above a stylized letter 'A'. The 'B' is formed by a large circle on the right and a triangle on the left. The 'A' is formed by a large triangle on the left and a circle on the right.

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OBJECTIVES OF THE STUDY

The objective of this study is inventory management improper system & if yes than what are the causes behind the improper management. The study includes the measures taken by the finance Department to reduce the level inventory cost of organization.

The objectives of the original research project are to identify and describe those inventory control techniques appropriate to the Automobiles industries, to establish benchmarks, and to create a decision-modeling guide for transit professionals to use to achieve better inventory management. The research concluded that, in general, no inventory organization factor, Decision factor, agency had a comprehensive and consistent effect on Inventory performance. In addition, none of the factors are shown to affect more than one service level performance indicator (e.g., inventory fill rates, days to fill back orders). Those that affected the efficiency of managing inventory are seldom shown to have more than minimal effects on Performance factors relating to inventory investment or service level. As a follow-up to the initial research, this testing and demonstration project more fully investigates the application of inventory performance measures in reducing transit system costs, reducing the incidence of vehicle downtime and maintenance overtime, and in increasing service delivery.

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METHODOLOGY

The Research Method used for conducting the study on inventory management of Sai Automobiles were:

- **Primary data source:**

Employees of Sai Automobiles dealer of Swaraj Mazda, Personal Interaction with Mr. Rupesh shah (finance Manager), Mr. Chintan Panarker (Finance Controller).

- **Secondary data**

Anthony Denison, "Perfect Management". Graham Jones, "Principles of Management".
I. M. Pandey, "Financial Management"

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Limitations of the Study:

- The time available for the study was very less.
- The study is very complicate in nature.
- The company has many departments.
- Segmenting the study according to the various departments could further redefine survey.
- The data collection has been done in the store Department, Accounting department, and Human Resource department only, which may not be the true representative for the entire Company [Swaraj Mazda authorized dealers].

A large, light gray watermark logo is centered on the page. It features a stylized 'B' shape above a white triangle pointing upwards, which is itself above a gray triangle pointing downwards. Below this graphic, the word 'BIZASTRA' is written in a large, bold, light gray sans-serif font.

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Introduction

Commercial transit systems have been under increased pressure to provide the same or a higher Level of service with fewer operating Rupees and reduced staff. Moreover, transit systems Managers are being urged to demonstrate to state and local officials, governing boards, and the Public those initiatives are in place to reduce operating costs. As a result, inventory managers have been under increased pressure to justify inventory size and value and provide information on Inventory performance. The objectives of this Testing and Demonstration (T&D) project, Applications for Improved Inventory Management for Public Transit Systems. Are

- To further isolate and review the test results in a real. Environment considering demographics, size, products, services of organization, inventory management practices, performance, and technology and information systems; and
- Using studies test and demonstrate that the conclusions reached from the research phase are valid or identify adjustments required to implement the conclusions in. real world. Conditions.

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Approach

The approach followed in conducting this project included developing the conclusions reached in the initial research project on organization and inventory performance indicators into criteria for further study. Studies were conducted at transit properties on how to apply and measure the benefits of improved inventory performance indicators, including the use of technology. The results of the studies were then analyzed to determine the impacts on the application of improved inventory management techniques.

During this testing and demonstration project, performance indicators were used, based on the initial project findings and the practicality of gathering information during the studies. Inventory management and organizational factors were also examined and analyzed. The areas covered in the studies included agency characteristics including service area, size and age; inventory management organization characteristics; inventory management practices including storekeeping and replenishment; inventory management performance; and the use of technology and information systems.

Comparing and contrasting the studies, interpreting inventory management results within each transit property yielded the following items as key inventory performance factors.

- The degree of focus of executive management on inventory performance goals.
- The capability to accurately measure inventory performance indicators.
- The staff time actually spent performing inventory management functions.
- The reasons and strategy behind configuring a storehouse network.
- The extent to which multiple replenishment methods are fully utilized.
- The types of items included in or excluded from inventory and how inventory is valued
- The classifications used for managing inventory items.
- The level of joint planning between inventory and maintenance personnel.
- The extent to which multiple procurement methods are used.
- The level of discipline associated with record keeping during non-covered storehouse hours
- The focus of the cycle counting program

- The level of inventory responsibility assigned to non-inventory personnel and Inventory tasks omitted.

The study assessments provide a basis for extrapolating conclusions that are generally applicable to inventory management in transit properties regardless of size, mode, geographic location and other demographic and operating factors. This section presents these conclusions and suggests additional follow-up research to further examine and isolate the effect of these factors on inventory management performance.

Based on an assessment of study results, it can be concluded that:

- General actions can have a positive effect on inventory management performance in most transit Properties:
- Elevate the focus of inventory management personnel from an inventory Transaction orientation to an inventory management orientation.
- Define specific performance indicators for inventory, set goals and track actual Performance versus goal.
- Use .ABC Stratification as a tool for focusing inventory management effort.
- Increase interaction and joint material planning with Maintenance and other customers.
- Use multiple replenishment methods based on actual statistics and maintenance Projections.
- Utilize a full range of purchasing methods depending on the specific Characteristics of the purchase.
- Initiate a cycle counting program with emphasis on resolving the root cause of Discrepancies.
- Upgrade automated systems and technology for inventory management support.

The studies provided affirmative evidence that. Real world. Analysis of inventory Management at customer's properties can yield valuable insight into the relationship between Inventory management decisions and performance. The results of the case study analysis have advanced the work began with the survey in project and have contributed significantly to Understanding the conclusions reached

during the project. In addition, the study Analysis has presented several conclusions that can be examined further through longer-term on site Studies with transit properties. The logical next step in examining the effects of Inventory decisions on inventory performance is to develop empirical evidence to test the at studies



SUMMARY OF THE PRECEDING RESEARCH PROJECT

The objectives of the original research project are to identify and describe those Inventory control techniques appropriate to the transit industry, to establish benchmarks, and to create a decision-modeling guide for transit professionals to use to achieve better Inventory management.

Project activities included:

- Identifying the inventory management practices and techniques that best assist transit agencies in meeting inventory management objectives.
- Determining the effects of different organizational structures policies, and practices used for inventory management on satisfying inventory management goals and inventory service objectives.
- Defining the conditions and developing the strategies necessary to ensure the most effective and efficient implementation of inventory control techniques, decision-making techniques and performance indices appropriate to the transit industry. Data analysis. The survey and data collection and analysis tasks consisted of the following:
 - Analyses of the relative merits of the full range of organizational structures, Policies, and practices used for inventory management;
 - The development and definition of indices useful for inventory management include not only limited stock outs, but also turnover ratios and inventory cost per vehicle, demand satisfaction, stock-keeping units (Ski's), shrinkage and carrying costs based on such qualifying factors as scale, size and standardization, composition, mileage, etc.
 - Identification of significant relationships between performance indices and organizational profiles.

AUDIT REPORT

Sai Automobiles manages, and operates and maintains storehouses on Swaraj Mazda vehicle warehouse for and items that support the needs of the facilities and inmates. In fiscal year 2003, Sai Automobiles purchased spare parts items totaling 1, 16, 87,539. This audit revealed the inventory controls of the company's storehouse facilities, which are managed by Division- I and the Support Services Division (SSD). This audit was commenced at the Assignments of the CEO Audit Findings and Conclusions Sai Automobiles has inadequate controls over its inventory. Our review disclosed significant sicknesses in the recording and maintenance of the inventory managed by Division- SSD and I. For example, the Fiscal Year April 1st 2007 opening inventory balance for Division- I had goods worth 9,15,000 less than did the ending inventory balance for Fiscal Year march 31st 2007 this variance was never reconciled or investigated.

In the case of SSD, it was found that there was a difference of 2,481,699 in value between the inventory count results and the value that was reported to the Company's Financial Services Division; this discrepancy also impacted the accuracy of The Company's inventory that was reported in the financial statements. Division- I computerized perpetual inventory records (QuickBooks) did not accurately identify inventory items; and SSD had no perpetual inventory records, but instead maintained manual records that reflected only the physical inventory count conducted at the end of each fiscal year. Further, both divisions conducted inventory counts that are deficient and did not investigate discrepancies between inventory records and inventory on hand. The storehouses of both divisions contained overstocked and obsolete inventory. In Division I, inventory had to be disposed of because of damage caused by its being stored in damaged containers or stored outdoors and exposed to the further. Additional inventory, purchased by Division- I through the Surplus Program, are relinquished (disposed of), raising the question of whether it is cost effective for Division- I to participate in this program.

In such an environment, there is a high potential that goods may be damaged, lost, or stolen, and that such occurrences not be detected. It appears that one of the main reasons for the existence of the sicknesses described above is that the staff assigned to the Division- I and SSD storehouses have insufficient knowledge of the internal controls required to manage an efficient warehouse operation, to record and maintain accurate computerized perpetual inventory records, and to properly store and account for inventory items. To correct these sicknesses, the staff should be trained in proper record

keeping and in warehousing and inventory controls. The training should be specific and provided as often as needed. However, based on interviews with the company officials, it appears that the automobile staff do not have the expertise to address these training needs. Therefore, Sai Automobiles should hire a consultant who has specialized knowledge of warehousing, inventory controls, proper inventory record-keeping, ability to train staff and the appropriate computer software required for specific types of inventory.

Sai Automobiles provides for the care of Swaraj Mazda customers after-sales service and represent imitate after company responsible for service of clients swaraj Mazda (inmates) Sai Automobiles is authorized service center and dealer since 2001. The company provides unbeatable sales in Gujarat region but after-sales service is not satisfactory. The company's turn over in a year is 5 crores. In that, the sale of commercial vehicles accounts for 3.8 cores; as compared to after-sales service.

The company has three major storehouse divisions. Division I - the Support Service Division: Supply all of the spare parts items and are the subjects of this report. Division II supplies all special items for Sai Automobiles facilities. This division will be discussed in a separate report.

The Sai Automobiles Division- I maintains the Central Storehouse, which supplies spare parts items such as sanitation supplies; minimum standard items for inmates (e.g., enigmas, crank, body, glass air, wheels, etc), office supplies, security items disposable items like oil and equipment. Division- I has additional storage areas i.e. the basement of one of the facilities, two tents, and 84 enclosed metal cuboids and shelf. The tents are used primarily to store cleaning supplies, furniture, and inmate Requirements. The containers are used to store excess inventory not needed for immediate use. Division- I also obtains items from the Ahamadabad showroom (items no longer needed such as chesses, engine body, Roof cover and equipment for use by the facilities and inmates. The cost for these surplus goods is high, at more 10 cents per vehicle value. The storehouses used to store both regularly-purchased goods and Surplus goods contain highly desirable items such as fuel injection pump piston, camp shaft, fly wheel, Gas set engine etc.

In fiscal year 2006-07, Division- I purchased goods including Surplus items totaling 78,56,048. The Support Service Division (SSD) manages storehouses for its maintenance department, which includes yoke & sleeve assay, rod low LH Boss steering Wheel, and its trade shops, with separate

storage areas maintained for local shoppers, and dealers SSD stores an assortment of items such as Fr. spring main no: 1.No 2 Spider prop Shift, Fuel tank 90Lts. In fiscal year 2006-07, the company purchased supplies and materials at a cost of 38, 31,491. Division- SSD and I conduct physical inventory counts each year. Division- I has a perpetual inventory system and keeps ongoing inventory records. SSD has a periodic inventory system and records its inventory at the end of each fiscal year.

Objectives for our audit was to review the inventory controls of the Department of Correction at its spare parts storehouse facilities. Scope and Methodology the scope period of the audit was Fiscal Years 2006-07 and 2007 through March 2007; our review included storage sites operated by Division- I and SSD. I conducted the audit fieldwork from 20 March , 2007 to 5 April 2007: which included the following:

To assess the adequacy of the internal inventory control procedures, I reviewed the Sai Automobiles Inventory Control Policy and Procedure Manual issued in March 2007. I also reviewed various operations orders, guidelines, and memoranda pertaining to loading-Sai Automobiles security, the ordering and distributing of supplies, inventory controls, and staff responsibilities.

To understand the daily practices at the storehouses, and to determine whether there was adequate segregation of duties, I interviewed the captains, officers, and staff, at Divisions –I and SSD , who are responsible for purchasing, receiving, storing, and distributing supplies.

To understand the system used to record the inventory at the storehouses, interviewed the officer responsible for entering the inventory data into QuickBooks, the computer software program used by Division I. (SSD has no perpetual inventory records.)

To understand the process followed by Sai Automobiles staff when performing the year-end inventory count and whether the process complied with Sai Automobiles procedures, I observed Sai Automobiles staff as they performed the inventory count at the two divisions. Division- I conducted its inventory count from June 9 through July 2, 2003 while SSD conducted its count from July 1 through July 18, 2003. I observed portions of the inventory count performed by the two divisions. For Division I, I conducted observations on March 18, 19, 23, 24, 25, 2x6, and 30, 2nd. For SSD, I conducted observations on April 1, 2, 4, 5, 8, 9, and 10th. Additionally, for Division I, I obtained the count sheets prepared by the staff and then tried to match the items on the count sheets with the QuickBooks inventory records. I obtained the count sheets from SSD staff but could not compare them to the inventory records since SSD does not maintain perpetual records.

To determine whether the fiscal year 2006-07 inventory figures that are reported to the Sai Automobiles Financial Services Division are complete, I reviewed the supporting inventory worksheets prepared by Division- I and SSD. To determine the adequacy of the internal controls over the inventories, I observed daily staff procedures in filling orders and receiving and storing goods. I also observed the staff from the facilities as they picked up goods from Division- I storehouse. I did not conduct a separate inventory count of Division- I and SSD inventory items because during the course of observing the procedures followed by Sai Automobiles staff at the beginning and at the conclusion of the inventory counts, Sai Automobiles.

Conclusions:

I concluded that the inventory records are unreliable and incomplete. In the case of SSD, the records are non-existent, as SSD did not maintain perpetual inventory records. This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. It was performed in accordance with the audit responsibilities of the. Discussion of Audit Results the matters covered in this report is discussed with Sai Automobiles officials during and at the conclusion of this audit. A preliminary draft report was sent to Sai Automobiles officials and discussed at an conference held on 15th April 2007. On June 12th, 2007, I submitted a draft report to Sai Automobiles officials with a request for comments. I received a written response from Sai Automobiles Son April 17, 2007 in the response Sai Automobiles agreed with the audit findings and stated that Sai Automobiles plans to implement all 17 recommendations. The full text of the Sai Automobiles response is included as an addendum to this report.

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FINDINGS AND RECOMMENDATIONS:

The Department of Correction has inadequate controls over its inventory maintained by Division- I and Support Services Division. Our review of Sai Automobiles inventory practices disclosed significant weaknesses in the recording and maintenance of these inventories. Sai Automobiles management failed to enforce the controls necessary to ensure the proper safeguarding and accounting of its inventories. Due to the absence of significant controls, I am unable to determine the true value of SAI Automobile's inventory. When I compared the values of Division- I ending and opening inventory balances for Fiscal Years 2006-07 and 2007-08 respectively, I found that the opening balance had goods worth 915,000 less in the inventory than the ending balance had. This variance was never reconciled or investigated. In the case of SSD, I found that there was a difference of 24, 81,699 in the value of what was counted and what was reported to the Financial Services Division. This discrepancy in the value of SSD's inventory also has an impact on the accuracy of the Sai Automobiles inventory that is reported in the financial statements. Moreover, these weaknesses indicate that there is a significant risk of fraud and theft of goods. I found the following areas of concern:

- The Division- I computerized inventory system does not include specifications needed to properly account for the inventory.
- Division- I inventory records do not accurately identify the items in inventory.
- SSD does not maintain perpetual inventory records.
- Division- SSD inventories counts and I am deficient.
- Division- SSD personnel and I do not investigate discrepancies between inventory records and inventory on hand.
- Division- SSD storehouses and I are overstocked and included obsolete and damaged items.
- Division- SSD and I maintained inventory in damaged containers, condemned areas of a storehouse,
- Division- I purchases made through lack oversight. In such an environment, there is a high potential that goods may be damaged, lost, or stolen, and that such occurrences not be detected. It appears that one of the main reasons for the existence of the weaknesses described above is that the staff assigned to the Division- SSD and I storehouses has insufficient.

Knowledge of the internal controls required managing an efficient warehouse operation, to record and maintain accurate computerized perpetual inventory records, and to properly store and account for inventory items.

To correct these sicknesses, the staff should be trained in proper record keeping and in warehousing and inventory controls. The training should be specific and provided as often as needed. However, based on interviews with Sai Automobiles officials, it appears that Sai Automobiles staffs do not have the expertise to address these training needs. Therefore, Sai Automobiles Share has specialized knowledge of warehousing, inventory controls, proper Inventory record keeping, and the appropriate computer software required for specific types of inventory, and who have the ability to train staff

Information in the audit report, Sai Automobiles assign me work a best implementation of new system for inventory and other related functions the, best practices, or detailed technical advice on how to rectify the deficiencies noted in my the audit. ” Audit Comment: In conducting this audit, my recommendations are based on our audit objective and findings, and, not least, on generally accepted government auditing standards, GAGAS. GAGAS imposes severe restrictions on the extent of consulting services (i.e., no audit services) that an auditor can provide in a particular area while remaining independent and capable of conducting a professional audit of the same area. 1 These GAGAS restrictions, which are intended to ensure auditor independence and objectivity, prevent us from providing the type of consulting services that our findings indicate are needed. Accordingly, I make the general recommendations that Sai Automobiles obtain funding to have a knowledgeable consultant who can overhaul and redesign the agency ’ s inventory system and also provide training in inventory control to all appropriate Sai Automobiles personnel. I also make more specific recommendations to immediately address the most significant sicknesses in the spare parts inventory operations. As Sai Automobiles has generally agreed to implement all of the report ’ s recommendations, I believe that I have conducted an independent, objective audit and have made recommendations that, if implemented, will lead to significantly improved inventory controls. Inventory Management Problems Sai Automobiles management failed to enforce proper controls over

its inventory operations. I found numerous sicknesses such as inadequate record keeping, deficiencies in the inventory computer system, significant inventory count deficiencies, items not maintained properly, and poor internal controls. As a result, Sai Automobiles management is unable to ensure that waste and mismanagement of inventory are minimized and that inventory is effectively protected. 1 In determining whether an audit organization can provide consulting services in an area where it expects to conduct subsequent audits states that “the audit organization should apply two overarching principles:

I Audit organizations should not provide no audit services that involve performing management functions or making management decisions and

II Audit organizations should not audit their own work or provide no audit services in situations where the no audit services are significant/material to the subject matter of audits. ”

The goal of effective inventory management is to ensure that an adequate amount of goods is on hand to meet operational needs and that inventory costs are appropriate. I believe that the failure of Sai Automobiles management to properly monitor its inventory operations and to enforce its policies and procedures contributed to Sai Automobiles s ineffective internal controls over its inventory operations. The Sai Automobiles Inventory Control Policy and Procedure Manual set forth the policies, guidelines, procedures, and rules and regulations for agency-wide compliance for inventory control. This manual establishes the minimum acceptable standards for inventory control throughout the agency, including procurement, receipt, storage, distribution, and control over its inventory operations. Section 0.2 of the manual states: “The procedures set forth in this Manual are designed to accomplish three major objectives:

- To develop a system of inventory control which will reduce the incidence of excessive inventory and/or inventory shortages?
- To provide standard record-keeping Policies and Procedures so that reliable controls can be implemented
- . To provide a clear audit trail for all inventory transactions. ” By not enforcing its policies and procedures, Sai Automobiles management failed to accomplish these objectives. Sai Automobiles did not monitor or provide clear direction to its staff to ensure that the Sai

Automobiles inventory would be properly maintained and requirements followed. The storehouse staff is primarily uniformed Correction officers who have not been trained to perform the tasks of operating a storehouse or maintaining inventory records. In some cases, it appears that staff members are not even aware of the SAI Procedure-procedure manual. Further, the Sai Automobiles manual, which was promulgated in 2001, does not meet the operational needs of the storehouses as it discusses a manual system. It must be updated to reflect a computerized inventory record-keeping system. I found that the inventory records maintained by Division- I do not contain all items in the inventory; descriptions are vague and do not accurately identify the items; discrepancies between the inventory records and items on hand are disregarded; many inventory items are overstocked, damaged, or obsolete. In SSD, neither a perpetual inventory system nor inventory cards are maintained. In fact, two of the shops never performed an inventory count prior to fiscal year 2006-07. Because of the extent of the discrepancies found in the inventory records and the deficiencies in Sai Automobiles inventory counts, I have concluded that the inventory records in both.

Division- SSD and I cannot be relied upon to provide an accurate account of the availability of the inventories. Knowing the availability of inventory would benefit Sai Automobiles by:

- 1) Finding out the amount of overstocked items on hand, which would reduce the risk of losing inventory through damage, theft, or obsolescence; and
- (2) Increasing the amount of under stocked items on hand, which would reduce the risk of not having inventory available when it is needed? Because of inaccurate record-keeping, neither the Division- I computer records nor the SSD manual records can be used to establish inventory turnover rates, minimum and maximum stock levels, or reorder points. If Sai Automobiles improved its record-keeping of stock use, it would be better equipped to supply items when they are needed, at minimal expense to the agency. Inadequate Inventory Records in Division- I When this audit first began, there are indications from the Division- I staff that the inventory records may not be reliable. In November 2002, a new warehouse captain was assigned to Division I, and he requested a complete count of the inventory. Based on this count, a new inventory file was created in the computerized inventory system. However, Division- I staff told me that some major items are actually counted, but for many items the quantities are estimated. Also told that the division did not reconcile variances between amounts on hand and amounts recorded. Further, in April 2007, all the inventory records prior to November 2006

had been accidentally erased from the computer system and could not be retrieved. It appears that the value for many inventory items could not be determined since this information was lost. After our observations of the Division- I inventory count and the subsequent creation of a new inventory file, I concluded that the inventory records maintained by Division- I are inadequate, incomplete, and cannot be relied upon to provide an accurate account of the inventory. Computer Deficiencies in Division- I the inadequacy of the inventory records is due, in large part, to the deficiencies of the computer inventory system, and, even more so, to the limited information recorded in the system. Division- I maintain its inventory records on a QuickBooks computer program. However, this QuickBooks program was not set up to include the specifications required to properly account for inventory. Because specific fields are not included, the QuickBooks records do not meet Sai Automobiles minimum standards for an acceptable inventory system as required by the Sai Automobiles Inventory Control Policy and Procedure Manual and is not an approved Sai Automobiles inventory software program. Moreover, the information recorded by Division- I staff is too limited to accurately identify the actual items in inventory. Section 1.2 of the manual states that “ the MINIMUM STANDARD that is acceptable for the control of all Department of Correction Inventory is the Inventory Control Card (Form Sai Automobiles) All alternative inventory control systems MUST include all of the basic information.

For each inventory item (Emphasis in original) Table I below summarizes the inventory information required by the Sai Automobiles.

Inventory Data Required by Sai Automobiles Inventory Control Manual

TABLE –I

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Table I

Inventory Data Required by DOC Inventory Control Manual

General Information	Captured on QuickBooks
Storehouse Name	YES
Complete Inventory Item Description	NO
Commodity Code or DCAS Item Code Number	NO
Inventory Unit	NO
Location of Inventory Item within Storehouse	NO
Order Lead Time	NO
Minimum Inventory Quantity	NO
Maximum Inventory Quantity	NO
Reorder Quantity	NO
Prospective Vendors	NO
Inventory Activity	
Date of each activity	YES
On Order quantity with Running Balance	NO
Quantity Received	YES
Quantity Disbursed	YES
On-hand Quantities with Running Balances	YES

As seen in Table I, QuickBooks does not capture many essential elements Manage an inventory operation properly. Moreover, accurate identification of the Items is difficult, if not impossible, because no inventory control numbers or commodity Are used and the item descriptions recorded in QuickBooks are limited and not Therefore, it is difficult, and in some cases impossible, to trace items from QuickBooks Physical inventory. This was especially true for the Thermostats gasket Gear engine set and inventory. Examples of these items as recorded in QuickBooks are shown in Table II.

Table II

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Key Name	Item Description	Quantity	Unit cost	Total inventory
LP01-45-445 TO LP4-44-789	STEERING	6341	78.15	495549
WR445-26-997 TO WR06-26-997	SUSPENSIONS	11080	1.55	17174
WR256-45-889 TO WO15-78-996	TRANSMISSIO N	50431	2.11	107992
SP04-47-897TO WS88-78-746	ENGIN	11102	200	2204000
LP01-16-789 TO 056487	CLUCTH	12790	12	153480
LP08-19-884 TO WR89-45-157	DIFFERTIAL	1102	202	2204
LP08-19-789 TO WO78-47-157	REAR AXLE	564	9	5079
LP04-99-478 TO LP47-49-689	BEAREING	1220	50	51000
LP08-29-447A TOLP34-01-0429	GENERAL	8063		

- Items received through are listed at market value. Unit cost can refer to various units of measure since it has not been properly defined. Because the appropriate descriptive information, such as inventory item description, commodity code, and inventory unit, is not included in the QuickBooks records, it is not possible to determine what exactly is in stock. In many cases, there is no distinction between size, quality, More importantly, because essential information regarding the availability of specific items cannot be ascertained, Sai Automobiles cannot rely on the inventory records to determine what items are under stocked or overstocked, what items have the highest or lost rate of use, and what items need to be reordered. As shown in Table I, even if the descriptions are more specific, no fields are set up in QuickBooks to capture this information. As a result, Division- I storekeepers, procurement officers, and management lack crucial information that would assist them in making informed decisions relating to the status of the inventory and the needs of Sai Automobiles. Inventory Count Deficiencies Division- I does not follow the procedures set forth in the Sai Automobiles Inventory Control Policy and Procedure Manual when conducting its annual physical inventory count. This is because of Sai Automobiles management’ s failure to implement good controls over its inventory operations. As a result Sai Automobiles has no controls to ensure the accuracy of its perpetual inventory records nor can it ensure that theft and misappropriation of goods would be detected. The Sai Automobiles Inventory Control Policy and Procedure

Manual requires that a physical count be performed at least once a year to ensure that the perpetual inventory records are accurate and to report the Rupees value of year-end inventory to the Financial Services Division. Regarding the counts, the manual requires that a number of steps be performed, including but not limited to the following:

- Personnel independent of daily storehouse and inventory operations should conduct the count; if necessary, the storekeeper can assist but must be prepared with non- storehouse personnel.
- All unused inventory in all storage locations should be included in the count.
- Teams should be designated to count specific areas within the storehouse.
- Each item counted should be tagged with a complete description, quantity on hand, and inventory unit (e.g., case, each, box).
- Teams should be reversed to verify counts after items are tagged.
- Any variance between the perpetual inventory and physical inventory must be reported and investigated. Missing or unexplained inventory must be treated as stolen property and must be reported to the Inspector General's Office. Sai Automobiles conducted its count of Division- I storehouses from June 9, 2003, through July 2, 2003. To determine whether Sai Automobiles follows its requirements when performing its annual inventory, I observed Division- I storehouse personnel while they are conducting the count. I saw numerous deficiencies in SAI Automobile's administration of the count and in how the results of the count are Sai Automobile and reported. The extent of these deficiencies brings into question the reliability and accuracy of the inventory records as ill as the Rupees value of the year-end inventory submitted to Financial Services Division. In large part, the count was disorganized and not properly supervised. The Sai Automobiles manual and good inventory practices require that independent personnel conduct the inventory count. In this way, there is some assurance that storekeepers have no opportunity to cover up any misappropriation of items that they oversee in the course of their regular duties. However, in Division I, ten Correction officers who are assigned to the storehouse also conducted the count. Therefore, independent personnel did not conduct the count. The ten officers assisted by inmates, are assigned specific storehouse areas to count. Each officer recorded on blank sheets of paper the description, quantity, and location of each counted item. However, the information was haphazardly and inconsistently recorded. The officers had to make their own determinations about the item description and the units of

measure. In addition, the officers did not tag the counted items as required, nor are the teams reversed to verify the count. Therefore, there is no assurance that all items are counted. When the count was concluded, four of the officers attempted to match the officers' "count sheets" to an inventory listing printed from the QuickBooks perpetual inventory records. Hundreds of items could not be matched to the QuickBooks listing. The matched items and the lists of items that could not be matched are submitted to the data processing Correction officer. Since QuickBooks is not an approved Sai Automobiles perpetual inventory program, this officer prepared handwritten inventory "worksheets" that detailed the item descriptions, inventory units, actual physical counts, and total values. These worksheets supported the Rupees value of the end-of-the-

Year inventory that was submitted to Financial Services Division. (Sai Automobiles data are then used to compile the financial statements.) This officer then created a new "company" in QuickBooks by establishing a new set of inventory records based on the end-of-year inventory count; he then entered the amount of each inventory item in the new "company" records. I collected and reviewed all 10 officers' inventory count sheets and the consolidated sheets, and attempted to verify the accuracy of the balances reported in QuickBooks. The greatest difficulty I had was identifying numerous items on the count sheets. In large part, it was difficult, and in some cases impossible, to trace the items listed on the officers' count sheets to the QuickBooks perpetual inventory records. The description of the items was inadequate, and catalog numbers (or any other identifying numbers) are not used. I then randomly selected and reviewed three count sheets prepared on March 21, 2007, March 22, 2007, and March 23, 2007, which collectively listed 75 items. Of the 75 items, I could accurately trace only 27 (36%) items to the QuickBooks records. Even for these items there are differences in the recorded quantities. For example, the count sheet indicated that there are 361 cases of bearing, but the QuickBooks records listed only 174 cases. In another example, 600 pieces of Fuel stop cable are listed on the count sheet, but QuickBooks recorded 31 without giving the unit (e.g., cases, pieces). Moreover, I found discrepancies and inconsistencies in the various inventory count sheets for items I could identify. First, there are at least 45 items, such as light bulbs, fluorescent lamps, and other electrical supplies that are counted and listed on the officers' count sheets but not recorded anywhere else. Second, there are at least 295 items counted and

listed on the officers' count sheets and other inventory worksheets but not recorded in QuickBooks. According to Division- I staff, these items are not recorded in QuickBooks because the prices are unknown. Also, they had no idea where many of these items came from and thought they would be "relinquished" (earmarked for disposal). 2 Third, the inventory worksheets that support the Rupees value reported to the Financial Services Division listed the same items multiple times, very often with a different price each time. Moreover, when I compared these worksheet items to the QuickBooks records, I found that at times the quantities and or the prices are different. Examples are shown below in

Table III.

Inventory Worksheets – Support for Figures Submitted to Financial Services Division				QuickBooks Inventory Records			
(1) Number of times listed on Worksheet	(2) Item Listed Multiple Times	(3) Worksheet Quantity (Total)	(4) Worksheet Price	(5) QuickBooks Quantity	(6) QuickBooks Price	(7) Same Quantity? (Col. 3 and Col.5)	(8) Same Unit Price? (Col. 4 and Col.6)
2	GEAR FLYWHEEL	19,095	4.99	15	4.99	NO	YES
2	BY PASS FILTER	521	100.92	458	100.92	NO	YES
3	ROD CONNECTING	162	50, 100	162	100	YES	NO
2	THERMOSTAT	1,334	26, 4.71	1,334	26.00	YES	NO
2	LINER,CYLINDER	4,309	0.76	4,129	1.55	NO	NO
2	RUBBER,ENGINE M.T	42	17.10	114	17.10	NO	YES
2	RING SET PISTON	582	34.52 34.73	502	34.52	NO	NO



Photograph No. 1

**Oil and fuel tanks
Other spares parts**

S
St
bowls in a condemned section of the Support

Photograph No. 2

Cracked wall with missing and loose bricks in a condemned section of the Support Service Division house.



Photograph No. 3



Cracked and torn partition in a condemned section of the Support Service Division storehouse.

Sai Automobiles inventory operations in Division- I and SSD are severely mismanaged and require immediate attention. Based on our observation of Sai Automobiles inventory operations, it appears that an environment exists in which it would be difficult, if not impossible, to detect misappropriation of inventory. Sai Automobiles management does not refer discrepancies between physical counts and inventory records for investigation. In fact's Automobiles management assigned to conduct the inventory counts the same people who are responsible for receiving and distributing inventory; and records are adjusted based on the count results, with no subsequent investigation of discrepancies. I believe that the deficiencies in Sai Automobiles inventory operations are primarily caused by Sai Automobiles management 's failure to provide storehouse personnel with clear guidelines and direction so that they can properly manage the agency 's inventory. For example, although Sai Automobiles has its Inventory and Control Policy and Procedure Manual, very few of its staff are aware of its existence. Further, the manual needs to be updated to include the use of computers to maintain inventory records. Then it should be distributed to its entire storehouse staff, which should receive the appropriate training. Going forward, Sai Automobiles should also decide whether it wants to acknowledge and m maintain QuickBooks as the computer program for its inventory records in Division- I or whether it wants to use another software package. The volume of information required to maintain effective perpetual inventory records indicates that a manual system is not an option that should be considered. Regarding SSD, as mentioned previously, perpetual records should be maintained by all units of SSD, as required by Sai Automobiles manual. However, the numerous sicknesses in SAI Automobile's management of inventory are not primarily caused by the method of

record keeping. Rather, they are the result of the staff's lack of training or knowledge of basic inventory controls and procedures. Because of the serious issues discussed in this report, the management and operational problems are so pervasive throughout the agency's inventory system that they cannot be readily addressed by fine-tuning the system. The entire system must be overhauled. Recommendations Given the scope of the work that needs to be done, I recommend a complete overhaul of the system. Sai Automobiles officials should: 1. Seek funding to hire an outside consultant, who specializes in or is knowledgeable about warehousing, inventory controls, perpetual inventory record-keeping, and inventory-related computer software programs, and who is capable of providing training in these areas to Sai Automobiles staff. This consultant should be provided with the resources to overhaul and redesign the agency's inventory system. Sai Automobiles Response: Sai Automobiles agreed with this recommendation and stated, in part, that it would "first hire a Director of Materials Management to oversee the Department storehouses.

Obsolete, Damaged, and Overstocked Inventory Division- I Division- I stores its inventory in many areas, including tents, containers, and trailers. During our observations, including the three weeks that we accompanied Division- I staff on their inventory count, we found that there were many items that were overstocked, damaged, and obsolete. (See photographs Nos. 4 and 5.) It appears that many items had not been previously counted though these items had been on hand for well over a year; in some cases, it was apparent that the existence of the items came as a surprise to the Division- I staff conducting the inventory count. After the inventory count, many of these items were relinquished and disposed of since they could no longer be used by Sai Automobiles(see photographs Nos. 6 and 7).

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Photographs No. 1 and No. 2



A Division- I tent containing regularly used items are overstocked and obsolete inventory items.

Other items that had no known value are also disposed of, including Side doors, damage roof head body, glass were, and 72 damage crank. A Division- I official stated that these items, which are exposed to bad gather, belonged to the Management Information Systems department but are stored by Division I. In addition, many items are overstocked and may have been damaged since they are not being used. For example, there are large quantities of tiers and Hood cover, diapers are kept in inventory. However, there are 1,392 cases of diapers, and each case contained six packages of 24 large covers, 30 medium covers, or 36 small covers. Therefore the average number of diapers on hand was 250,560. ³ This appears to be an excessive number of hoods since the facility can accommodate a

maximum of only 155 and, according to a Sai Automobiles official, during fiscal year 2007, the number of babies in that facility ranged from two to seven. Moreover, a few of these cases are it from the rain because the storage container had a hole in the roof of about an inch in diameter. It appears that, other than the items stored in the main storehouse, the quantity of some items in the trailers and particularly of those in the containers is excessive and that the items are used infrequently or not at all. Also, some storage facilities are inadequate and in need of repair In fact, having to dispose of items because of their exposure to bad — an indication that Sai Automobiles has run out of adequate and secure storage space. Therefore, Sai Automobiles needs to assess its procurement practices, as it seems to have more goods than it needs. Storing inventory that is better related to current needs might permit the Sai Automobiles to discontinue use of unsuitable storage sites.

Photo 5



Support Service Division After its inventory count, SSD relinquished 24 different types of items that are considered obsolete. Sai Automobiles did not assign a value to these items. Some of the items relinquished are: six oil-fared 75 gallon, etc. However, based on our examination of the physical inventory worksheet for fiscal year 2006-07, I determined that the 8,000 soreheads are valued at 79,840 and the brass doors at 3,570. However, in the absence of inventory records, I could not identify a value for all obsolete items. Recommendations Sai Automobiles officials should: 11. Assess all spare parts inventory stored on Ricers to determine whether everything in inventory is needed and whether more items should be relinquished. Also, Sai Automobiles should not purchase any additional items that are overstocked until reaching the minimum quantity needed to operate. Sai Automobiles Response: “All spare parts inventory items are being counted this month as part of the year-end

physical inventory. I am assessing which items in inventory should be relinquished to DCAS. ” 12. Quantify all the items relinquished in Division- I and SSD. At the end of each fiscal year, Sai Automobiles management should generate a report of the total number of relinquished items and their cost to ensure that relinquishment is kept to a minimum. Sai Automobiles Response: “ Sai Automobiles took proactive measures by requiring that both a logbook and an excel program, recording the details of all relinquishments, be maintained in the Office.” 13. Discontinue outdoor storage of those inventory items that can be damaged by the rather, unless they are properly protected Sai Automobiles Response: Sai Automobiles stated, in part, “Currently, the Department lacks sufficient indoor storage space to discontinue outdoor storage; however, damaged storage trailers and containers have been replaced. Three new storage containers are purchased to replace damaged containers. Items that are stored outdoors include chemicals that are not affected by the weather unless the temperatures above. These items are stored in closed buildings during the winter months . . . Although the auditors observed machines stored outdoors, it should be noted that four machines are, in fact, usable and are subsequently distributed to various facilities in Sai Automobiles. ” 10. Repair all the damaged storage trailers and containers that are currently being used to store inventory.

The logo for BIZASTRA features the word "BIZASTRA" in a large, bold, sans-serif font. Below it, the tagline "Let's Business" is written in a smaller, lowercase, sans-serif font. The entire logo is rendered in a light gray color.

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Recommendations

Audit Recommendations. I make recommendations, some of which are listed below. The Sai Automobiles officials should:

- Seek funding to hire an outside consultant who specializes in or is knowledgeable about warehousing, inventory controls, perpetual inventory record-keeping, and inventory-related computer software programs, and who is capable of providing training in these areas to Sai Automobiles staff.
- Upgrade the Inventory Control Policy and Procedure Manual to address the use of a computerized inventory system for all spare parts inventories maintained by SAI AUTOMOBILES.
- Ensure that all variances in the inventory be properly investigated. Thereafter enforce the requirement that all missing items or unexplained inventory variances be reported to the Inspector General's office.
- Require that SSD maintain computerized perpetual inventory records for all inventory maintained by its shops.
- Assess all inventory stored to determine whether everything in inventory is needed and whether more items should be relinquished. Also, Sai Automobiles should not purchase any additional items that are overstocked until reaching the minimum quantity needed to operate.
- Determine whether it is cost effective for Division -I to continue to participate in the INMs (implements new management system), taking into consideration the cost of salaries, overtime, traveling expenses, usefulness of the types of inventory that the INMs offers, inventory disposal costs, and other related costs.

Sai Automobiles Response the matters covered in this report is discussed with Sai Automobiles officials during and at the conclusion of this audit. A preliminary draft report was sent to Sai Automobiles officials and discussed at an exit conference held on April 16 2007. On April 24, 2007, I submitted a draft report to Sai Automobiles officials with a request for comments. I received a written

response from the CEOs of Sai Automobiles on April 28, 2007 The Commissioner agreed with the audit findings and stated that Sai Automobiles plans to implement all 17 recommendations. The full text of the Sai Automobiles response is included as an addendum to this report.



Implementation of New system of Inventory Management: (recommendations)

- As a responsible trainee manager I personally found this the best place where my capability can be utilized at the best level after a conducting a audit in Sai Automobiles in my trainee program's automobiles chief executive officer (Ashok Thakur) offer me the opportunity to implement a best management tool in service center located at vapi.after received considerable response from the higher authority I started to find the which are the area management are not able to get considerable result, bring a revolution in management of Sai Automobiles is responsible and challenging task.

Which are the area need to make change are as following,

- In-house parities in Sai Automobiles on the security gate
- Store house need to change the location of material according to the assembly.
- New shelf arrange in chronological order with numbers and location name,
- Martial issue procedures
- Material received and accounting procedure
- Material issued to workshop according to the work order received from the engineers. On job cards
- History of material & customers cards is maintained in the records.
- Material, which is expiry date and defestive martial, are replacement procedure according to the standard of swaraj Mazda Ltd.
- Computerized programmed develop for encoding and decoding the all transaction.
- Gates pass for martial issue & received.
- Dead stroke record file.
- ABC analysis of inventory according to the use.
- Label on packaging with part no, and description on packet
- Create a code part no for material according to the assembly.
- Clean the store room and arrange a material at Higgins condition according to the prescription on material .
- Create a gate for the mechanics of service center for entry is store house.

- Maintain minimum stock level according to use standards determine.
- Resale a damage material and inventory.
- Company replacement of material, which not come at regulator use of Sai automobiles.
- Standard procedures for issue a material from SSD to Sai Automobiles service center.
- Maintain purchase records martial Purchase from local market and out side market different.
- Oil consumption according vehicle and bill records.
- Warranty martial replacement procedure.
- Gate pass for vehicle.
- Maintain master copy of all the accounting documents.
- Assign the authority signature without signatures no transaction processed.



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Standard Procedure within organization

Recipients of Material Procedure

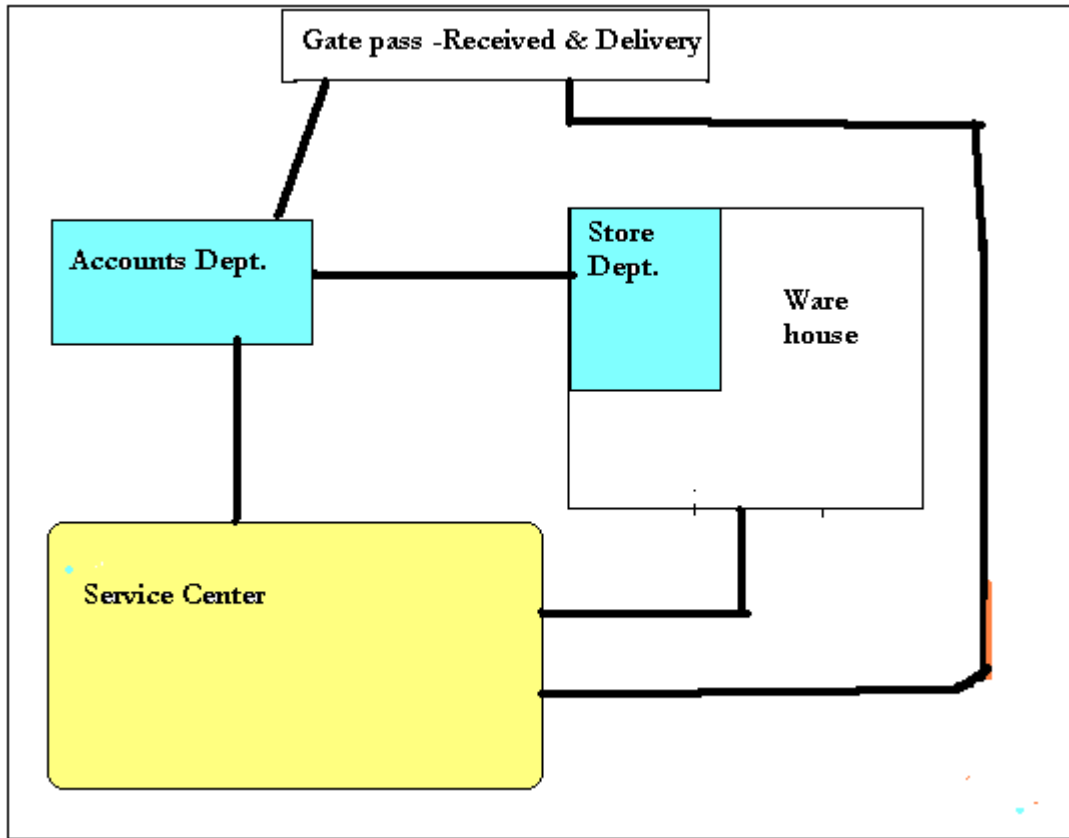
- Whenever the material received from the outside of organization security check the material invoice amounts and Quantity. And recorded in material Receipts book. Issue a Gate Pass for accounts departments.
- Accounts departments accounts those material in Purchase book and issue those material I to the and invoice to the Store departments.
- Store departments Counts the Material and Quantity and Store according to the assembly location.

Issue material Procedure

- According to the requirements issued by service engineer issue and job card to the store departments.
- Store Departments issue a Chelan to the warehouse departments for issue a material to the service engineers.
- After a completion a job works. Job card submitted to the stores. For recording accounting entry. And issue a job cards to accounts departments
- Accounts Departments issue sales invoice and Labors invoice to the customers.
- After the Payments of Bill by the Party Accounts departments issue A Gate pass for delivery the Vehicle or Material.

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Structure Layout



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ESSENTIAL FOR FORMS MANAGEMENT:

The systematic process of Increasing productivity and minimizing errors in information capture, transmission, and recovery through the use of workflow analysis and graphic design techniques.

- Providing administrative control.
- Reducing procurement, storage, distribution, and use costs through standardization.
- Ensuring the adequacy, business as well as legal, of all historical records.

Work Skills

The work skills required by a truly effective new implement Management Program (NIMp) are many, varied and quite broad in scope. While what has been called “Forms Control” (consisting essentially of inventory procurement and management) may be a significant component of the program, other skills, talents and techniques are equally critical.

- **Cost Benefit Analysis**

One of the more obvious requirements of a good FMP is the fiduciary responsibility to contain and reduce costs. Understanding the mechanics and application of the cost benefit analysis is essential to that end.

- **Consultation**

Assumptions are dangerous. It is incumbent on the Forms Management staff, therefore, to offer advice and council to those who need forms developed or revised to ensure that a useful tool is developed. Such consultation helps to guarantee that the form meets the real need of the business system it serves.

- **Work Group Development**

When the functionality of a form crosses departmental or operational lines within the business environment, it is essential for all stakeholders to participate and buy-in to the final form. This work group should not attempt to execute the design layout, itself, but they do need to participate actively in the workflow discussion to ensure the form’s effectiveness.

- Customer Service Techniques

The role of the Forms Management Program is one of service to the organization. Customer service techniques include responsiveness, accuracy, timeliness, sound advice, and respect for the needs and desires of the user community and the organization.

- Scheduling and Prioritizing

Scheduling (setting a specific time to accomplish a series of tasks) and prioritizing (performing tasks in the appropriate sequence) are indicators of strong organizational skills. Procrastination and “doing the easy job first” can quickly lead to lost focus and momentum.

- Ethics

Consistently doing what is appropriate and fair reflects a strong sense of ethics within the program and enhances the level of respect it earns from Forms Management Program users.

- Interviewing

Genuine interest displayed while interviewing current and future forms users engenders not only respect from those users, but also keeps the forms manager from working in a vacuum. No one knows better how the form should perform and what it must accomplish than those who use it.

- Training

Assuming that a form has been created based upon a sound understanding of the workflow surrounding it, the users must clearly understand its purpose and may require training in its proper use.

- Negotiating

Negotiating takes on many faces. Besides the interfaces between forms management and their vendors (regarding specifications and costs), there may also be occasion to navigate compromise among users and, in some cases, with the organization’s legal authorities.

Presentations

When the analysis is completed and the next step is forms design, it is often appropriate to present the results of the analysis and the proposed layout for the form to the work group that collaborated on the content and function of the form. Such presentations should be short and to the point.

- Environmental and Safety Awareness

Environmental and safety awareness includes limiting toxic waste by-products from forms, such as carbon papers, whenever possible, and assuring that the proper risk reducing materials are used for tag and label items.

Administration

Effective and efficient control of the forms management program requires thorough knowledge and technical dexterity to support the administration of the numerous inherent operational functions.

- Version Control

Regular maintenance of forms keeps business systems operating at optimum efficiency. Version control assures that only the most current edition of each form is available for use.

- Identification Systems

The basic form numbering scheme serves as the proper identification tool for each item in the system. Form groupings (kits) and other specific categorization indicators (e.g., product types, business functions, etc.) are also common and must be carefully maintained to assure their accuracy and usefulness.

- Filing Systems

Filing systems serve various purposes, including the general forms file (specifications, samples, notes, etc.); purchase order history files (requisitions, receiving reports, etc.); warehouse and distribution reports; related forms files (e.g., an invoice and its accompanying envelope); procedures and other miscellaneous file types.

- Security Issues

Some forms items may be negotiable instruments, such as gift certificates or checks. For other items, user access may be severely restricted (e.g., salary adjustments, promotion announcements, stock option awards, etc.). Whether locked storage is required or a simple checkout system is sufficient, security issue awareness is crucial.

- Warehousing and Distribution

Users must carefully monitor Warehousing and distribution of paper forms to assure availability of a steady supply of forms and easy access to those forms. Whether there is a desktop delivery system in place, a mail-based requisitioning system or a will-call window for personal form pick up, records must be kept of the number and frequency of forms distributed. This will facilitate timely re-ordering and stocking activities.

- Management Reports

On-going support for a forms management program often depends largely upon upper management's comfort level that the program is worthwhile and that the return on investment is adequate. One way to maintain firm trust in the program is to provide management reports on a regular basis. Various performance metrics, such as number of forms in the system, new forms vs. revisions, number of requisition per period, costs expended vs. costs saved, etc., are typical reporting areas.

- Standards

Standards: the consistent, logical and accepted way of performing specific tasks; of executing general form layouts; of placing text and graphics on a form; of preparing documentation and specifications; of managing production, stocking and distribution of supplies; of deploying electronic forms; of presenting management reports; and of controlling costs. These are representative of the various tasks and techniques that, when done according to defined practice guidelines, help to foster and operate a strong forms management program.

- Tracking

Traffic management is an important function of manager. That includes tracking the progress of various analysis projects, of vendor manufacturing orders, of warehouse inventories, of the forms portal database, of the various FMP databases, of strategic management reporting metrics and many other on-going processes.

- Operational Procedures

“S.O.P.” should mean “Standard Operating Procedures,” not “Seat Of Pants,” when referring to how the program runs. There is much less room for variation (and error) when operational procedures are formalized and documented in writing to simplify reference by anyone with a need

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Records and Data Retention

Forms Management has long been closely associated with Records Management and, in some organizations, is an associated function within the same department. Recognition and adherence to records retention schedules applies to the form files and to the maintenance of data records such as management reporting metrics.

- **Obsolescence**

A reasonable rule of thumb states that when a form has seen neither usage nor requests for modification within a defined period of time, it may be declared “obsolete.” The obsolescence criteria are defined individually within each Forms Management Program. Even though a form becomes obsolete, its form number should never be reused and its history records should not be destroyed, since it is always possible the form may be reactivated at some future date.

- **General Record Keeping**

General record keeping procedures should be defined in the FMP documentation and checked periodically to assure compliance.

- **Forms Libraries**

Form libraries may be as simple as a single copy of each form in the system in a centralized file and as complex as discrete files containing specific groups of forms, e.g., all paper forms or all electronic forms, or all forms for a certain business process. They may be physical files and/or electronic files, or a combination of both. They may contain samples, specifications, historical records, inventory records and other documents and be generally accessible or they may be restricted to forms department personnel only. Departmental procedures govern these files.

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- Other

Other functions may be considered integral parts of the administration of a forms program. These other activities may include personnel management (hiring, training, performance reviews, firing); participation on various management teams (workflow improvement projects, implementation teams for new systems, etc.); or any other miscellaneous assignments from higher management levels.

Procurement

Procurement is the process of obtaining materials and services needed by the organization. An awareness of the broad spectrum of functions and activities required guaranteeing success is essential.

- Supplier Relationships

Suppliers are those who are outside the department but furnish products and/or services needed by the organization. Maintaining cordial supplier relationships helps to assure that the information available from each supplier is complete and accurate and that the best interests of your organization are served.

- Product Evaluation

When a new requirement is identified that may be able to take advantage of a product that is also new, or is currently unused by the organization, it is prudent to conduct a product evaluation to confirm the appropriateness of the product, whether physical or electronic, as a solution for the environment where it is proposed.

- Quotations and Proposals

Prior to placing a manufacturing contract or purchasing material or services, it is wise to request a quotation or proposal from the potential vendor. Even when the vendor is known and has provided products and/or services in the past, each new requirement should be handled the same way. Formalizing the quotation and/or proposal process ensures that nothing is assumed or left to chance and that all legal bases are covered adequately.

- Contract Negotiating

Long-term relationships with vendors (beyond a single order) are common in the forms industry. Negotiating contracts should spell out price levels, manufacturing locations and delivery times, manufacturing specifications for products, vendor warehousing and storage costs, on-site services (such as periodic inventory counts), other services available, associated legal agreements, and any other

routine interface that may be involved. These components encourage a strong and equitable vendor relationship.

- Trade Customs

Trade Customs codify the standard terms and conditions under which the relationship between the customer and the printing vendor operate. Many topics are included. Exceptions, if any, must be individually negotiated between the parties.

Inventory Management:

By and large, inventory management systems relate specifically to paper forms, since there is no physical inventory of electronic forms. Techniques for maintaining inventory varies from stock on warehouse shelves to some variety of stockless inventories.

- Automated Systems

Using a computer-based system for tracking inventory is useful for any form of inventory control. Automated systems provide quick accessible and timely information regarding inventory status. Statuses includes on order, en route, vendor stocked, on-site stock, off-site stock, shipped, back ordered, and obsolete.

- Bar-coding

One handy way to track inventory on hand is through the use of bar codes. Depending upon the content of the bar code, such information as form number, edition date, production date, vendor identification, form effective date, do-not-use-after date, package quantities, limited manufacturing specifications and other data elements can be included.

- Just In Time (JIT)

Just in Time (JIT) is an economical method of controlling inventory costs. Forms are not stocked in a warehouse in the traditional way, but are produced as needed in the quantities needed at or near the locations where they will be used.

- Freight Optimization

One technique for reducing shipping costs is the application of freight optimization principles. This entails knowledge and coordination of the production of multiple forms inventory items in the same manufacturing plant; then combining them into a single shipment. This process can as easily be

applied, as well, to shipping items from a warehouse to one or more using locations in similar combinations. Not only does the freight arrive together, but also the warehouse handling of that freight is streamlined – both of which save costs.

One other technique for tracking inventory bears mentioning. RFID (Radio Frequency Identification) labeling provides an electronic signal identifying each package, its contents and whatever other information may be included in its coding.

- Forms Fulfillment

In addition to the traditional method of supplying forms to users in response to their own inventory requisitions, it may be appropriate – especially when one or more forms are new and immediate wide deployment is necessary – to distribute a base supply of each item to each the expected users (or departments) without their first submitting a requisition. Forms fulfillment methods should be flexible enough to satisfy both routine and special situations.

- Print-on-Demand

Print-on-Demand (POD) is similar to just-in-time production, except that usually the user produces the production is done locally by the user who needs the form.

- Receiving

Management of inventory begins upon receipt of the forms stock. Receiving activities require accepting shipments, accounting for and matching quantities listed on shipping documents from the shipper, decisions regarding where stock is to be located, stock rotation activities where appropriate, and filling of existing back orders.

- Inventory Control

Avoiding stock-out situations is a key component of a good inventory control system. Maintenance of accurate records reflecting all receipts, stock locations, distributions, destructions and reorders is critical.

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