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SPHM
HOSPITALITY

INVENTORY S.O.P



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Series 4500

Inventory

Subject: Monthly Resale Inventories – Food, Beverage, & Retail

A-4501

A. Policy. It is the policy of the club that all resale stocks be inventoried on a monthly basis.

B. Discussion

1. Routine inventories are used as a control mechanism to verify the amount of stock on hand, to determine the cost of goods sold, and to ensure that the operation does not run out of any item of stock unexpectedly.
2. Department Heads for Food, Beverage, and any retail operations, such as golf shop, tennis shop, or general stores, will ensure that inventories are properly conducted.
3. A limited number of well-organized storerooms will make monthly inventories easier and less time consuming to conduct. Responsible Department Heads may also want to let stock levels dwindle in the period leading up to inventories to make the count less burdensome.

C. Procedures

1. Inventory Timing. Responsible Department Heads will conduct their monthly inventories on the last day of each month, or if that day falls on a day the club is closed or extremely busy, the Department Head with the concurrence of the Controller may conduct the inventory on the previous or next day. Regardless of the date selected, the exact date of the inventory must be entered on the top of any inventory count sheets. If the day of the inventory is materially different from the end of the period, then sales and inventory must be aligned as closely as possible to give the most accurate cost of goods sold. Again, consult with the Controller in this case.
2. Inventory Count
 - a. Responsible Department Heads will organize their work and storage areas to ensure that they are set up to allow as quick and efficient an inventory as possible.
 - b. Techniques to do this include:
 - (1) Noting counts on “unbroken” boxes, i.e., those boxes that have not yet been opened.
 - (2) Removing items from “broken” boxes to ensure that the box is not mistaken as being “unbroken.”
 - (3) Establishing specified locations for the storage of each stock item.
 - (4) Ensuring that the order that items appear on inventory count sheets is the same order that stock is stored on shelving (suggested for food & beverage, but not retail inventories). This is not always possible, but can aid greatly in efficient inventories.

- (5) Separate inventory locations should be inventoried separately and then combined on a spreadsheet or consolidated inventory report.
- (6) Create and follow a map for counting inventory locations so that you do not inadvertently skip a section.
3. **Inventory Count Sheets.** For retail inventories, the Controller can print a point of sale inventory list that can be used as count sheets. Food and beverage Department Heads may want to design a spreadsheet with each item of stock listed to serve as count sheets. In order to ensure accountability of the inventory counts, the count sheets should not have expected counts for each item already listed.
4. **Inventory Accountability.** To ensure an accurate inventory count, it is helpful to have one individual assigned the responsibility of making the count. This way, the club achieves accountability for the results.
5. **Due Dates.** Responsible Departments Heads must submit resale inventories to the Accounting Office no later than the 5th of each month.

D. Responsibilities

1. Department Heads are responsible for:
 - a. The proper and accurate conduct of inventories and the timely submission of inventories to the Controller.
 - b. Training staff to conduct the inventory properly. Department Heads may delegate the task of conducting actual inventory counts, but should avoid always selecting the same individual to conduct inventories, must periodically spot check the results of subordinate's inventory counts, and must personally be involved in the inventory on at least a quarterly basis. See [Internal Controls - Inventories] for more information.
 - c. Reviewing the inventory before submitting to the Accounting Office, as is evidenced by a signature on the count sheet(s).
2. The Accounting Office is responsible for reviewing inventories, making any adjustments as necessary, and computing the cost of goods sold.
3. Periodically, the Controller or an Accounting Office representative may participate in the inventory count to double check procedures and verify accuracy.

Subject: Monthly Linen Inventory

A-4503

A. Policy. It is the policy of the club that club-owned linens owned be inventoried on a monthly basis.

B. Discussion

1. Routine inventories are used as a control mechanism to verify the amount of an item on hand, to measure the shrinkage rate, and to ensure that the operation does not run out of the item unexpectedly.
2. Inventories will be conducted monthly of the following items of linen inventory which may be owned by the club:
 - a. Bath towels – used in the locker rooms.
 - b. Hand towels – used in the locker rooms and rest rooms.
 - c. Cart towels – used on golf carts.
3. Food and beverage linens are usually rented from an outside vendor and do not need to be inventoried, other than the routine receiving counts to verify deliveries. If F&B linens are owned by the club, they also must be inventoried monthly.

C. Procedures

1. Inventory Timing. Linen inventories will be conducted on or about the last day of each month. Responsible department heads may select the exact date of the inventory as necessary to have the least impact on normal operations. Usually this will be several days before or after the end of the month. Regardless of the date selected, the exact date of the inventory must be entered on the top of the inventory form.
2. Inventory Count. All linen, whether clean or soiled, must be counted.
 - a. Responsible department heads will organize their work and storage areas to ensure that they are set up to allow as quick and efficient an inventory as possible.
 - b. Techniques to do this include:
 - (1) Counting and stacking clean linen in standard bundles, i.e., bundles of 10 or 20, allowing quick counts of bundles.
 - (2) Establishing specified locations for the storage of soiled linen, such as soiled linen bags or carts. Once a bag of soiled linen has been counted by staff, it should be tied and tagged with the linen count.

3. Inventory Forms. A Linen Inventory Count Sheet, SPHM Form 207, will be used to count bath towels, hand towels, and cart towels.
4. Inventory Accountability. To ensure an accurate inventory count, it is helpful to have one individual assigned the responsibility of making the count. This way, the facility achieves accountability for the results.
5. Inventory Report. The Linen Inventory Summary Report tracks usage rates of linen and compares them to number of members and golf rounds. These benchmarks will help establish baseline usage rates against which future usage is compared.
6. Due Dates
 - a. Responsible departments must submit linen inventories to the Accounting Office no later than the 5th of each month.
 - b. The Controller will prepare and distribute the Linen Inventory Summary Report not later than the 10th of each month.

D. Responsibilities

1. The Facilities Manager or Clubhouse Manager is responsible for the correct count of bath towels and hand towels. Further, he is responsible for training his staff to conduct the inventory properly and for reviewing the inventory before submitting to the Accounting Office, as is evidenced by his signature on the count sheet.
2. The Head Golf Professional is responsible for the correct count of cart towels. Further, he is responsible for training his staff to conduct the inventory properly and for reviewing the inventory before submitting to the Accounting Office, as is evidenced by his signature on the count sheet.
3. The Controller is responsible for reviewing the inventories, transferring pertinent information to the Linen Inventory Summary Report, maintained in a spreadsheet, printing the report, and distributing it to the General Manager and Department Heads with a need to know.

Subject: Quarterly China, Flatware & Glassware Inventory

A-4504

A. Policy. It is the policy of the club that china, flatware, and glassware be inventoried on a quarterly basis.

B. Discussion

1. Routine inventories are used as a control mechanism to verify the amount of an item on hand, to measure the shrinkage rate, and to ensure that the operation does not run out of the item unexpectedly.
2. Inventories will be conducted quarterly of the following items of inventory used throughout the food and beverage operation:
 - a. China.
 - b. Flatware.
 - c. Glassware.

C. Procedures

1. Inventory Timing.

- a. Inventories will be consistently conducted on or about the middle of the listed months, for example: if the 15th is chosen as the date, inventories must be conducted on or about the 15th of the month. This leeway is provided to avoid conflicts with other required inventories.
- b. Responsible Department Heads may select the exact date of the inventory as necessary to have the least impact on normal operations. Usually this will be several days before or after the middle of the month. Regardless of the date selected, the exact date of the inventory must be entered on the top of the inventory form.
 - (1) China inventories will be conducted on or about the middle of March, June, September, and December.
 - (2) Flatware inventories will be conducted on or about the middle of January, April, July, and October.
 - (3) Glassware inventories will be conducted on or about the middle of February, May, August, November.

2. Inventory Count

- a. All china, flatware, and glassware, whether clean or soiled, must be counted.
- b. Responsible Department Heads will organize their work and storage areas to ensure that they are set up to allow as quick and efficient an inventory as possible.
3. Inventory Forms. The following forms will be used for inventory purposes:
 - a. A China Inventory Count Sheet, SPHM Form 208, will be used to count all china.
 - b. A Flatware Inventory Count Sheet, SPHM Form 209, will be used to count all flatware.
 - c. A Glassware Inventory Count Sheet, SPHM Form 210, will be used to count all glassware.
4. Inventory Accountability. To ensure an accurate inventory count, it is helpful to have one individual assigned the responsibility of making the count. This way, the facility achieves accountability for the results.
5. Inventory Reports. The following summary reports will track usage rates of china, flatware, and glassware and will compare them to the number of meals served. These benchmarks establish baseline usage rates against which future usage is compared.
 - a. China Inventory Summary.
 - b. Flatware Inventory Summary.
 - c. Glassware Inventory Summary.
6. Due Dates
 - a. Responsible departments must submit china, flatware, and glassware inventories to the Accounting Office no later than 5 working days after the date of the inventory.
 - b. The Controller will prepare and distribute the China, Flatware, & Glassware Inventory Summary Report not later than 10 working days after the date of the inventory.

D. Responsibilities

1. The Dining Room Manager is responsible for the correct count of china, flatware, and glassware. Further, he is responsible for training his staff to conduct the inventory properly and for reviewing the inventory before submitting to the Accounting Office, as is evidenced by his signature on the count sheet.
2. The Controller is responsible for reviewing the inventories, transferring pertinent information to the China, Flatware, & Glassware Inventory Summary Report, maintained in a spreadsheet, printing the report, and distributing it to the General Manager and Department Heads with a need to know.

Subject: Annual Furniture, Fixtures & Equipment Inventory

A-4505

A. Policy. It is the policy of the CLUB that all furniture, fixtures, and equipment be inventoried on an annual basis.

B. Discussion

1. Furniture, fixtures, and equipment (FF&E) represent a significant investment for clubs and are necessary for successful ongoing operations.
2. These items must be monitored and safeguarded to ensure that the club has continued use of them during their useful life.
3. All FF&E will be recorded in a Master Property Book with identifying nomenclature, a digital photograph, purchase information, count, and property decal number as described in [Property Management and Control].
4. Department Heads will be assigned responsibility of all FF&E under their control by means of [Departmental Property Receipts].
5. Responsible Department Heads will conduct an annual inventory of all FF&E under their control in early January of each year.

C. Procedures

1. Inventory Timing. Inventories will be conducted during the first fifteen (15) days of January. Responsible Department Heads may select the exact date(s) of the inventory as necessary to have the least impact on normal operations.

2. Inventory Accountability

- a. To ensure an accurate inventory count, it is helpful to have one individual assigned the responsibility of making the count. This way, the club achieves accountability for the results.
- b. Where the inventory responsibility has been delegated, Department Heads will spot-check verify counts to ensure accuracy and integrity of the inventory.

3. Inventory Forms

- a. Individual departments will conduct their FF&E Inventories using FF&E Inventory Sheets, SPHM Form 211.
- b. The Club Controller will prepare a summary report using the Annual FF&E Inventory

Summary Report, SPHM Form 212.

4. Due Date

- a. Responsible departments must submit FF&E inventories to the Accounting Office no later than the 20th day of January.
- b. The Controller will prepare and submit the FF&E Inventory Summary Report to the General Manager not later than the 31st of January.

D. Responsibilities

1. Department Heads are responsible for the correct count of all FF&E. Any discrepancies must be investigated and resolved prior to submission of the inventory. Unresolved discrepancies will be reported to the Controller.
2. The Controller is responsible for reviewing the FF&E inventories and preparing an Annual FF&E Inventory Summary Report for submission to the General Manager.

Subject: Property Management & Control

A-4506

A. Policy. It is the policy of the club that all furniture, fixtures, and equipment (FF&E) be monitored and safeguarded through property management and control procedures.

B. Discussion

1. Furniture, fixtures, and equipment (FF&E) represent a significant investment for the club and are necessary for successful ongoing operations.
2. These items must be monitored and safeguarded to ensure that the club has continued use of them during their useful life.
3. All FF&E items with a value of \$100 or more will be recorded in a Master Property Book with identifying nomenclature, purchase information, count, and property decal number.
4. Department Heads will be assigned responsibility of all FF&E under their control by means of [Departmental Property Receipts].

C. Procedures

1. Master Property Book

- a. A Master Property Book will be established in an Excel spreadsheet.
- b. The Master Property Book will contain the identifying nomenclature, count, purchase information, and property decal number for each item of FF&E.
- c. The Master Property Book will also show the assigned department for each item; or in the case of multiple items, the distribution of those items by department.
- d. The Master Property Book will be maintained by the Controller.

2. Departmental Property Receipts

- a. Departmental Property Receipts, SPHM Form 213, will be used to assign responsibility of individual items to specific departments.
- b. Department Heads will sign Departmental Property Receipts on an annual basis indicating their receipt or possession of all items on the receipt.

3. Property Decals

- a. When appropriate or space permits, each item of FF&E will have a property decal with an identifying number attached to it.
- b. The property decal number will be recorded on the Master Property Book as well as the Department Property Receipts.
- c. The property decal number will be used when conducting the Annual FF&E Inventory.

4. Property Transfer Forms

- a. Property Transfer Forms, SPHM Form 214, will be used whenever FF&E is transferred from one department to another.
- b. Property Transfer Forms formally transfer the property off of one department's Departmental Property Receipt and onto another's.
- c. Property Transfer Forms will contain the signatures of both losing and gaining Department Head.
- d. Completed Property Transfer Forms will be forwarded to the Controller to update the Master Property Book. These forms will be retained in property files after the property has been transferred in the Master Property Book. After the next Annual FF&E Inventory has been completed, the transfer forms may be disposed.

D. Responsibilities

1. The Controller is responsible for maintaining the Master Property Book and Departmental Property Receipts.
2. Department Heads are responsible for all FF&E listed on their Departmental Property Receipts and for documenting transfers of FF&E from one department to another using Property Transfer Forms.

Subject: Departmental Property Receipts

A-4507

A. Policy. It is the policy of the club that all furniture, fixtures, and equipment (FF&E) be recorded on Departmental Property Receipts, thereby assigning responsibility to Department Heads.

B. Discussion

1. Furniture, fixtures, and equipment (FF&E) represent a significant investment for the club and are necessary for successful ongoing operations.
2. These items must be monitored and safeguarded to ensure that the club has continued use of them during their useful life.
3. All FF&E items with a value of \$100 or more will be recorded in a Master Property Book with identifying nomenclature, purchase information, count, and property decal number.
4. Department Heads will be assigned responsibility of all FF&E under their control by means of Departmental Property Receipts.

C. Procedures

1. Departmental Property Receipts

- a. Departmental Property Receipts, SPHM Form 213, will be used to assign responsibility of individual items to specific departments.
- b. The Controller will prepare Departmental Property Receipts for all FF&E under the control of the various Departments.
- c. Department Heads will sign Departmental Property Receipts indicating their receipt or possession of all items on the receipt.

2. Property Decals

- a. When appropriate or space permits, each item of FF&E will have a property decal with an identifying number attached to it.
- b. The property decal number will be recorded on the Master Property Book as well as the Department Property Receipts.
- c. The property decal number will be used when conducting the Annual FF&E Inventory.

3. Property Transfer Forms

- a. Property Transfer Forms, SPHM Form 214, will be used whenever FF&E is transferred from one department to another.
- b. Property Transfer Forms formally transfer the property off of one department's Departmental Property Receipt and onto another's.
- c. Property Transfer Forms will contain the signatures of both losing and gaining Department Head.
- d. Completed Property Transfer Forms will be forwarded to the Club Controller to update the Master Property Book. These forms will be retained in property files after the property has been transferred in the Master Property Book. After the next Annual FF&E Inventory has been completed, the transfer forms may be disposed.

D. Responsibilities

1. The Controller is responsible for maintaining the Master Property Book and Departmental Property Receipts.
2. Department Heads are responsible for all FF&E listed on their Departmental Property Receipts and for documenting transfers of FF&E from one department to another using Property Transfer Forms.

Subject: Selling Assets for Salvage

A-4508

A. Policy. It is the policy of the club that assets no longer needed by the club be sold at salvage.

B. Discussion

1. In the normal course of business, assets can no longer be needed by an operation. This may be due to obsolescence, replacement, high cost of repair, or other factors.
2. When this happens, the General Manager may decide to dispose of the item. The following methods of disposal are considered appropriate:
 - a. Receiving a credit against the purchase of a replacement item.
 - b. Selling the item to the general public by means of a classified advertisement or, if sufficient items are to be disposed, an auction.
 - c. Donating the item to a bona fide charity. In this case, ensure that a receipt, showing the charity, date of donation, and estimated fair value of the donation, is received.
3. When any monetary compensation is received for an item sold at salvage, the Accounting Office must record the gain or loss in the General Ledger. Gain or loss will be based on the proceeds from the sale as compared to the net book value of the asset, i.e., the original book value less accumulated depreciation.
4. Caveats. Managers should take great care to avoid any appearance of conflict of interest or favoritism in the disposition of any salvage item. As such, unneeded assets may not be:
 - a. Given to any manager, supervisor, or employee,
 - b. Sold to any manager, supervisor, or employee unless all employees are given an opportunity to submit sealed bids for the asset. If the General Manager or other person in authority desires to bid on the asset, the bid award must be handled by another disinterested party.

Subject: Investigation of Inventory Discrepancies

A-4509

A. Policy. It is the policy of the club that all significant discrepancies in inventory counts and cost of goods sold be investigated to determine the cause.

B. Discussion

1. There are two types of inventory discrepancies:

- a. Physical count versus POS system.
- b. Physical count versus General Ledger.

One or both can exist and need to be evaluated and can have different reasons for the discrepancy.

2. Accurate inventories are essential to proper financial accounting and reporting.
3. Significant discrepancies can adversely affect the cost of goods sold and, if erroneous, distort the true financial performance of a department or club.
4. Since the formula to determine cost of goods sold starts and ends with inventories, responsible Department Heads must ensure that they are accurate.
5. Often inventory errors are corrected by subsequent inventories, but the danger of waiting for future months to solve the problem is that if the worst case of theft or pilferage is the cause, the true nature of the problem may not be discovered until significant loss is incurred.
6. The following items must be checked to find discrepancies:
 - a. Inventory counts. Are they correct?
 - b. Stock in all storerooms and par stocks included in counts.
 - c. Extension of counts times unit costs verified by calculator tape.
 - d. All transfers recorded and turned in to Accounting.
 - e. Retail – major variances between physical count and point of sale inventory must be checked, item by item.
 - f. Retail – was all new stock entered into the POS inventory before or after the physical inventory?
 - g. Retail – if necessary, review daily sales reports to determine the number of a stock item sold.