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## Policies and Procedures

No. 64

Board Approval: 9/15/2016

### SUBJECT:

INVENTORY CONTROLS AND SIGNATURE AUTHORITY POLICY

### PURPOSE:

To authorize the MTS Materials Manager and Procurement Manager to approve parts/inventory purchases outside of the signature limits set forth in Policy No. 41 (Signature Authority).

### BACKGROUND:

Policy No. 41 (Signature Authority) establishes dollar limits for approval of purchase requisitions and expense contracts. This Policy No. 64 is intended to authorize the MTS Materials Manager and Procurement Manager to complete parts purchases at appropriate intervals so that the MTS Storerooms have sufficient inventory to support daily transit operations and maintain MTS rolling stock and other equipment in a state of good repair. MTS's enterprise resource planning (ERP) software is programmed to automate inventory purchases. This requires that the Board approve an exception to the signature limits set forth in Policy No. 41 for automatic parts ordering to maintain designated inventory levels.

### POLICY:

#### 64.1 INVENTORY CONTROLS

- a. The Chief Executive Officer (CEO), or his/her designee, shall maintain a database of materials, components and spare parts (inventory list) that must be available in MTS Storerooms in order to support daily transit operations and maintain MTS rolling stock and other equipment in a state of good repair. The inventory list shall, at a minimum, contain the following:
  - i. The part name and manufacturer's part number, if applicable;
  - ii. The responsible/requesting department;
  - iii. The minimum quantity of that part that must be maintained at all times in the MTS Storeroom;
    - 1) The minimum quantity should be based on factors such as the historical demand for the part, lead time for orders, ordering costs, operational campaigns, and include a level of safety stock



sufficient to avoid a shortage of parts which would prevent maintenance or repairs from being completed in a timely manner.

- iv. The maximum quantity of that part that should be maintained in the MTS Storeroom;
  - 1) The maximum quantity should be optimized to minimize ordering costs while avoiding excessive growth of inventory and reducing waste from obsolescence and spoilage of parts with a limited shelf-life.
- b. The inventory list shall be reviewed by the CEO, or his/her designee, at least annually.
- c. Items being added to the inventory list require formal approval from the following departments: Maintenance, Finance, Procurement and Storeroom Operations
- d. The CEO may designate staff responsible for approving:
  - i. The addition or deletion of items from the inventory list.
  - ii. Any adjustments to the minimum and maximum quantities of the inventory list.

#### 64.2 PARTS/INVENTORY PURCHASES

- a. Parts may be purchased by MTS through various methods. Primarily, parts are purchased either through a competitively bid or sole-sourced multi-year contract or through individual purchases on an as-needed basis. Generally, a multi-year contract is used for parts that MTS purchases in large quantities on a regular basis, or for highly specialized and expensive parts. All purchases of parts must comply with state and federal laws, regulations and grant requirements. Nothing in this Policy No. 64 is intended to excuse MTS staff from compliance with legal requirements. All parts/inventory purchases shall comply with Policy No. 52 (Procurement of Goods and Services).
- b. If a part is on the approved inventory list, then the ERP system will recommend orders based on the minimum required quantities by generating a purchase requisition. The MTS Materials Manager may authorize, through the approval of the purchase requisition in the ERP system, the purchase of such parts, subject to the following limitations:
  - i. The quantity ordered may not result in an inventory count higher than the designated maximum on the date the parts are expected to be delivered;
  - ii. The dollar value of the proposed purchase, exclusive of freight/shipping and applicable taxes/government fees, does not exceed \$100,000.
    - 1) Purchases of parts may not be intentionally split into multiple purchase requisitions so as to avoid this spending limit.
- c. All parts purchases over \$100,000, exclusive of freight/shipping and applicable taxes/government fees, must be approved by the Board.

- d. All inventory items are kept in the MTS Storeroom and held as an asset on the balance sheet of MTS. When a part is needed by maintenance staff, a requisition form is submitted and the part is “charged out” to the requesting department. Upon charge out from the Storeroom, the cost of the part is charged as an expense against the appropriate line item in that department’s budget.

Original Policy Adopted on 9/15/2016.