

Guam Power Authority


Standard Operation Procedure

Title/Description: Annual Physical Inventory Count Procedures
Procedure No.: SOP-068
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Procedure Owner: Inventory Management Officer (IMO)

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Purpose

This Standard Operating Procedure (SOP) update is a result of the lessons learned over the past three years, when a significant overhaul of the long time inventory process was installed. This latest version of the SOP fine tunes the process to include things that made the process more efficient and excluded tasks that did not add value, significantly reduce accuracy, or decreased the amount of resources needed to conduct this task.

Scope

This SOP applies to the following GPA departments: Warehouse (Material Management), Plant Accounting, Transmission and Distribution (T&D), Information Technology (IT), and Safety. Vendors, internal and external auditors involved, or other sections named in this SOP shall also abide by this updated procedure.

Terminology, glossary, or definitions

Authority: Used in this SOP to refer to the Guam Power Authority.

Delivery: The transfer of items from one of the GPA warehouse locations to a requestor or end-user.

End-user: The relevant unit requesting inventory items and to whom inventory items are issued by the warehouse.

Issue: The transfer of inventory, upon the presentation of an authorized work order (request), to the end-user resulting in a reduction of inventory quantities on hand in the warehouse.

Material: All consumable and non-consumable items that are stored and recorded as inventory.

Stock: An item of inventory as defined in accordance with standards of generally recognized accounting principles on inventory.

System: Inventory management software, also known as Enterprise One or E1.

Warehouse: The physical location where inventory is stored and protected before distribution. Currently, GPA has three (3) Warehouse locations: Dededo, Cabras, and pole yard (in Dededo).

Responsibilities

The Inventory Management Officer (IMO), whose duties include supervising the reconciliation and balancing of inventory accounts, will be responsible for the strict adherence of this procedure by material management personnel.

Procedure

Material Management Information

- A. All warehousing and stock control functions shall be performed by material management personnel.
- B. The storage locations covered under this SOP are:
 - 1. Cabras supply warehouse
 - 2. Dededo pole yard
 - 3. Dededo supply warehouse
- C. Normal hours of operation for the Dededo supply warehouse are as follows:
 - 1. Monday through Friday
 - 2. From 7:00 am through 3:30 pm
- D. Cabras supply warehouse and the Dededo pole yard does NOT have regular operating hours and is NOT regularly staffed. Visitation to these locations may be scheduled with the IMO or Warehouse Supervisors.

- E. All materials and supplies held in the warehouse and storage locations will be classified as one of the following, based on their frequency of issuance from the prior fiscal year.
 - 1. **Non-moving:** Materials that have NOT been issued in the prior fiscal year.
 - 2. **Slow-moving:** Materials that have been issued between 1 and 11 times in the prior fiscal year.
 - 3. **Fast-moving:** Materials that have been issued 12 or more times in the prior fiscal year.
- F. Some materials shall have a secondary classification called “high value”. These items have varying issuance rates but are given further classification because of their high cost to procure.
 - 1. Power poles
 - 2. Transformers
 - 3. Wires
 - 4. Meters

Background

- A. Inventory will now be accounted for year-round through a combination of scheduled quarterly cycle counts and an annual physical inventory count of fast-moving and high value items. This approach aligns with Generally Accepted Accounting Principles (GAAP) and further substantiates the reliability and accuracy of GPA’s financial statements.
- B. Warehouse personnel will conduct cycle counts starting as early as October and end in August of the following year. During this time, warehouse staff will perform cycle counts of several small batches each quarter, with the goal of eventually counting one hundred percent (100%) of the non-moving and slow-moving inventory items.
- C. The remaining inventory, fast-moving items, will be counted in September as the review of inventory is concluded with the Annual Physical Inventory Count. The Internal Audit Office and our external auditors will conduct their own independent inventory sample counts.

Cycle Counts

- A. [Warehouse] In E1, the IMO will run a report of all inventory items from the prior fiscal year (example: from 10/01/2025 to 09/30/2026) and classify each inventory item based on their frequency of issuance during that period:
 - 1. Non-moving (no issuances)
 - 2. Slow-moving (1 to 11 issuances)
 - 3. Fast-moving (12 or more issuances)
- B. [Warehouse] The IMO will generate a memo to notify the Plant Accounting section and internal auditors of the schedule to conduct monthly cycle counts of non-moving and slow-moving items. Access to the warehouse shall be granted to Plant Accounting personnel and internal auditors to observe the cycle counting.

**The AGMA, AGMO, or IMO reserves the right to include an item(s) into a quarterly cycle count as they see fit.*

- C. [Warehouse] In E1, the IMO will prepare a cycle count sheet with a listing of items arranged by index number or inventory location or branch plant to be counted during that month.
 - 1. Cycle counts will begin reviewing non-moving items and then move to slow-moving items.
 - 2. Cycle count review of non-moving and slow-moving items will begin on or around October and be completed no later than August of the following year.
 - 3. Cycle counts of non-moving and slow-moving items must be completed before the annual physical inventory count.
- D. [Warehouse] The IMO will provide Plant Accounting section with the cycle count number and date of last processing.
- E. [Warehouse] The IMO will provide a blank copy of the cycle count sheet to the assigned warehouse staff member to conduct their count. Each inventory item will have a singular count by one storekeeper.
- F. [Warehouse] Upon completion of count, the storekeeper will submit the cycle count sheet to the IMO. The IMO will key in the count into E1.
- G. [Plant Accounting] Copies of the count sheets will be forwarded to the Plant Accounting section and shall be retained in their records.
- H. [Warehouse] Cycle counting for the fiscal year will considered completed once all non-moving and slow-moving items have been counted. Cycle counts of all non- moving and slow-moving items must be completed by the end of August, as the Annual Physical inventory count of fast-moving items will be completed in September.

Annual Physical Inventory Count

- A. [Warehouse] Upon completion of the cycle counts of all non-moving and slow- moving inventory items, the annual physical inventory count will begin. As identified in classification report for cycle counts, the fast-moving items (and high value items) will be the focus during the annual physical inventory count.
- B. [Warehouse] (2 to 3 weeks prior to the start of annual physical inventory count) The IMO will generate a memo announcing the timeline and key dates of the annual physical inventory count. The memo will also serve as a notice to all inventory end-users to plan accordingly to ensure their projects are not adversely affected during this time.

**IMO will typically select a week early in September, where counting will begin on a Friday and conclude on Sunday. In the past 3 years, this provided ample time for the storekeepers to complete their count of fast-moving and high value items.*

- C. [Warehouse] (*1 week prior to the start of annual physical inventory count*) Warehouse personnel will begin tidying up and organizing warehouse items, bins, and storage areas. Focus on removal of excessive packaging material or items left around or stored in an awkward manner that may become a safety concern when counting begins. Additionally, should any items be left out of place, this opportunity will allow the storekeepers to return items to their respective areas, minimizing any confusion or miscounting.
- D. [Warehouse] In E1, the IMO will generate a listing of all fast-moving items (and high value items) to be counted during the annual physical inventory count period.
- E. [Warehouse] IMO will provide Plant Accounting section with the cycle count number and date of last processing per batch of items.
- F. [Plant Accounting] Accountant will run an Item Balance Report and email a copy to the Internal Audit Office and to the external auditor. This is the complete listing of inventory items that the internal auditors and external auditors will use to make their selections.
- G. [Warehouse] (*Day of physical inventory count*) IMO shall hold a meeting prior to start of inventory count, providing final instructions and answering any questions regarding procedures.
- H. [Safety] Personnel from GPA Safety office shall perform a walk-through of warehouse compound and point out any dangers or areas of concern. Safety personnel will also conduct a safety briefing and will provide personal protective equipment (PPE), as needed.
- I. [Warehouse] IMO will create an inventory count sheet with a listing of items arranged by index number and location.
- J. [Warehouse] IMO will distribute blank copies of annual physical inventory count sheet to the assigned warehouse staff to conduct their counts starting on a Friday, with a completion deadline set for the close of business on the succeeding Sunday, at the latest. Each inventory item will have a singular count by one storekeeper.
- K. [Warehouse] As indicated in the IMO's annual inventory count schedule, the Monday immediately following the storekeepers' count of the fast-moving and high-value items, will be reserved for Plant Accounting personnel, internal auditors, and external auditors to conduct their independent counts.

**Completion of item "J" above allows the storekeepers to be available on Monday to escort and assist Plant Accounting personnel, internal and external auditors as they conduct their independent counts.*
- L. [Plant Accounting] Accountants will notify the external auditor to conduct their own spot counts.
- M. [Warehouse] IMO will forward count sheets to the Plant Accounting section for review.
- N. [Plant Accounting] Accountant will validate count sheets submitted by the IMO.
- O. [Warehouse] IMO and a representative from the Plant Accounting section will conduct a recount of selected items with variances.

- P. [Plant Accounting] Accountant will update the cycle count entry to reflect the results of the recounted items.
- Q. [Plant Accounting] Accountant will provide the AGMA, CFO, Assistant CFO, and Comptroller the results of the Annual Physical Inventory Count.
- R. [Plant Accounting] Accountant will then provide the AGMA and IMO a copy of the variance report.
- S. [Warehouse] Annual Physical Inventory Count is complete. IMO will hold an after-action meeting with all annual physical inventory stakeholders to take notes of lessons learned which will be incorporated into future inventory procedures as part of the Authority's continuous improvement process.