



South Carolina Enterprise Information System

Lesson 4: Managing Inventory Processes

STATE INFORMATION
TECHNOLOGY



SC BUDGET AND CONTROL BOARD

Lesson 4 Learning Objectives

- ➊ Upon completion of this lesson, you should be able to:
 - Identify Key Terms and Concepts of Inventory
 - Understand impact of Open Purchase Requisitions (PRs) and POs.
 - Understand other year-end considerations for managing inventory.
 - Understand what reports to review at year-end to assist in managing the replenishment of inventory .

Inventory Key Terms and Concepts

ECC	Purchase Requisitions / MRP
	*Inventory Replenishment
SRM	Shopping Cart
	*Inventory Consumption *Non-Inventory Procurement

- Inventory replenishment in SAP is done via a Purchase Requisition.
- Material Reservations for inventory are initiated via SRM Internal Goods/Services Shopping Cart or manually in ECC.

Consuming Inventory

- Users create a Shopping Cart for Internal Goods/Services in SRM when requesting inventory for consumption.
- Upon approval of the Shopping Cart, a Material Reservation is generated in ECC
 - Funds are NOT encumbered at this time
 - Funds are consumed at the time of Goods Issue from the account assignment entered on the Shopping Cart

Material Reservations

- ④ If a Material Reservation crosses fiscal years and the goods issue is completed in the new fiscal year, the funds will be consumed from the original account assignment but in the new year budget.
- ④ If the account assignment changes from one year to the next, the Material Reservation will need to be deleted and recreated with the new account assignment.

Material Reservations cont.

Close or Delete all Material Reservations that you will not fulfill

☉ Mark **Final Issue** indicator on the Material Reservation

OR

☉ Mark the **Final Issue** indicator in the Goods Issue transaction if you do not want to leave items on backorder

OR

☉ Mark the **Deletion** indicator on the Material Reservation if you have not issued or will not issue any quantity against this Material Reservation

Material Reservation – Final Issue

MB22 – Change Reservation

Change Reservation 0000004648 : Collective Processing

Details from Item

Movement Type GI for cost center

Goods recipient

Cost Center

Fund

Grant

Functional Area

Funds Center

Commitment Item

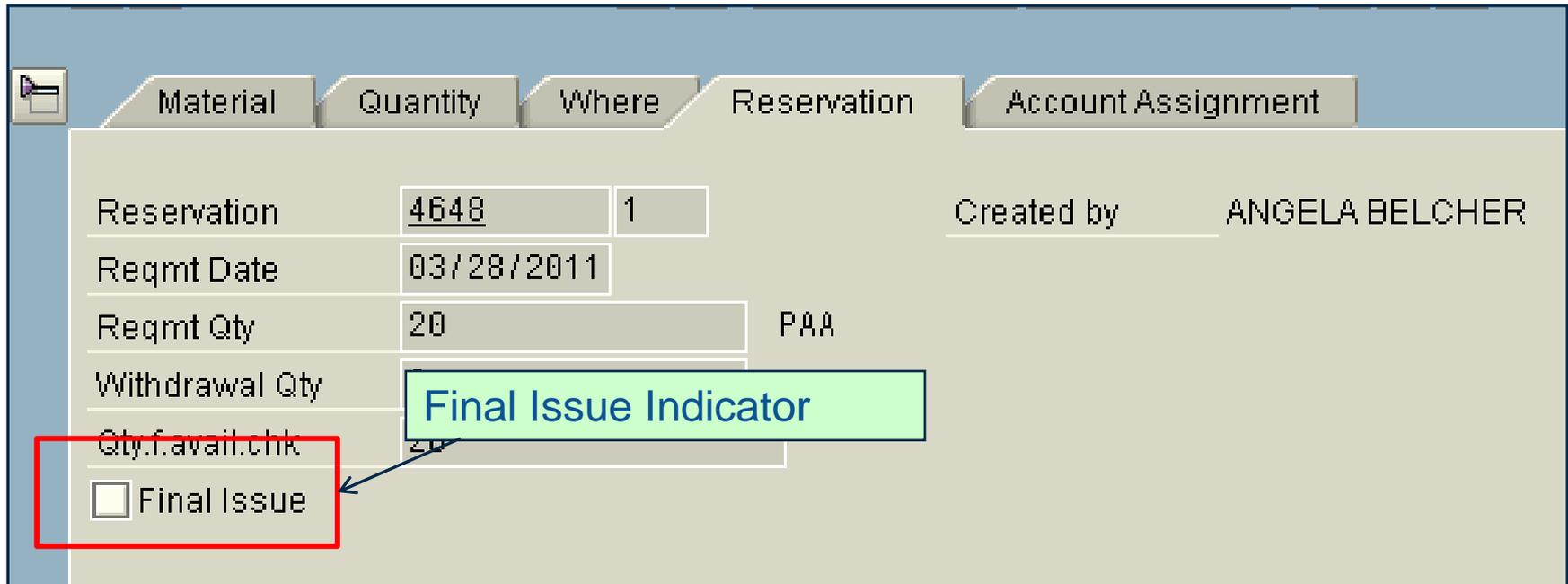
Earmarked Funds Done

Final Issue Indicator

Item	Material	Quantity in	UnE	Plnt	SLoc	Batch	M	FIs	D
1	104141	20	PAA	DC03			<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Material Reservation – Final Issue

MIGO – Goods Issue



Material	Quantity	Where	Reservation	Account Assignment
	Reservation	4648	1	Created by ANGELA BELCHER
	Reqmt Date	03/28/2011		
	Reqmt Qty	20	PAA	
	Withdrawal Qty			
	Qty.f.avail.chk			
	<input type="checkbox"/> Final Issue			

Final Issue Indicator

Material Reservation - Deletion

MB22 – Change Reservation

Change Reservation 0000004648 : Collective Processing

Details from Item

Movement Type GI for cost center

Goods recipient

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Earmarked Funds Done

Deletion Indicator

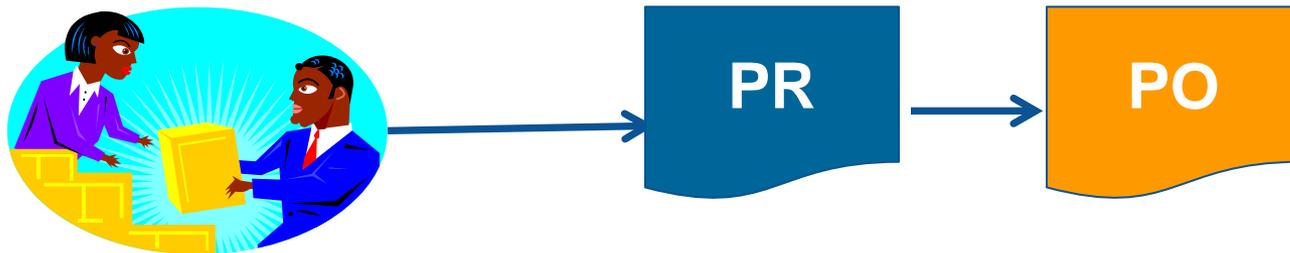
Itm	Material	Quantity in	UnE	Plnt	SLoc	Batch	M	FIS	D
1	104141	20	PAA	DC03			<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Managing Material Reservations

- ④ Deleting or Changing Material Reservations can only be completed by someone with Inventory Management roles for Managing Reservations or Goods Issues.
- ④ Only Inventory Management personnel should close a Material Reservation.

Replenishing Inventory

- Inventory replenishment is done via ECC (not SRM) by using a Purchase Requisition (PR) and Purchase Order (PO) process.



Inventory Purchasing Documents

- Funds are encumbered when a Purchase Requisition is created.
- Buyers convert Purchase Requisitions into Purchase Orders in ECC.
- When the Purchase Requisition is converted to a Purchase Order, the encumbrance transfers from the Purchase Requisition to the Purchase Order.

Inventory PR & PO cont.

	PR	\$100	
Create PO	PR	(\$100)	PO \$100
Result	PR	\$-0-	PO \$100

- 
 If the Purchase Order is deleted, the encumbrance transfers from the Purchase Order **back to** the Purchase Requisition.

	PR	\$-0-	PO \$100
Delete PO	PR	\$100	PO (\$100)
Result	PR	\$100	PO \$-0-

Inventory PR & PO cont.

- If the quantity on a Purchase Requisition is not fully converted to a Purchase Order, the balance of the encumbrance remains on the Purchase Requisition

Task	Quantity/Value	Encumbrance on PR	Encumbrance on PO
Create Purchase Requisition	100 ea @ \$5.00	\$500 (quantity 100 ea)	\$0
Create PO	10 ea @ \$5.00	\$450 (90 @ \$5.00)	\$50

Beware of Unit of Measure

- ④ Quantity on the Purchase Order must equal the quantity on the Purchase Requisition or you will leave an encumbrance balance on the Purchase Requisition
- ④ Purchasing units of measure can be established by the Agency Material Master Liaison to assist buyers with conversion between base unit of measure and the purchasing unit of measure

WRONG METHOD!

Task	Quantity/Value	Encumbrance on PR	Encumbrance on PO
Create Purchase Requisition	100 ea @ \$5.00	\$500 (quantity 100 ea)	\$0
Create PO	10 ea @ \$50.00	\$450 (90 @ \$5.00)	\$500

In this example, the buyer ordered 10 ea meaning to order boxes from the vendor. With no purchasing unit of measure in place, the system does not recognize this purchase as anything other than ea and assumes there are 90 ea more that still need to be ordered.

CORRECT METHOD!

Task	Quantity/Value	Encumbrance on PR	Encumbrance on PO
Create Purchase Requisition	100 ea @ \$5.00	\$500 (quantity 100 ea)	\$0
Create PO	10 bx @ \$50.00 (Purchasing UoM = bx)	\$0	\$500

In this example, the buyer ordered 10 bx where the purchasing unit of measure has been implemented. In this purchasing unit of measure, 10 ea = 1 bx. The system understands that all requested units (100 ea) have now been ordered (100 ea = 10 bx).

Deleting a Line on a PO

- ④ If you delete a line on an Inventory Purchase Order, encumbrance transfers back to the Purchase Requisition
- ④ The corresponding line on the Purchase Requisition must also be deleted in order to free the encumbrance
- ④ **BEST PRACTICE:** Close Inventory Purchase Orders rather than delete them

Inventory PR & PO cont.

- 🌀 In order to liquidate funds encumbrance on Inventory Purchase Orders, set the **Delivery Complete** indicator ONLY
 - Delivery complete is the indicator that releases encumbrance on inventory PO's, **not** the Final Invoice indicator
- 🌀 Buyers have the ability to set Delivery Complete indicator on inventory PO's

Setting Delivery Complete

- ① Setting Delivery Complete can be accomplished by agency procurement staff with transaction ME22N

OR

- ① By Inventory Management personnel during Goods Receipt when no further materials are expected from the vendor

Delivery Complete Indicator

ME22N Change Purchase Order

The screenshot displays the SAP ME22N Change Purchase Order interface. The 'Item' field is populated with '1 [10] 137766, JUMPER,FIBER OPTIC,2 FIBE...'. The 'Delivery' tab is selected, showing various delivery-related fields. The 'Deliv. Compl.' checkbox is checked and highlighted with a red box. Other fields include 'Overdeliv. Tol.', 'Underdeliv. Tol.', 'Shipping Instr.', '1st Rem./Exped.', '2nd Rem./Exped.', '3rd Rem./Exped.', 'No. Exped.', 'Goods Receipt', and 'GR Non-Valuated'.

Overdeliv. Tol.		%	<input type="checkbox"/> Unlimited	1st Rem./Exped.		<input checked="" type="checkbox"/> Goods Receipt
Underdeliv. Tol.		%		2nd Rem./Exped.		<input type="checkbox"/> GR Non-Valuated
Shipping Instr.				3rd Rem./Exped.		<input checked="" type="checkbox"/> Deliv. Compl.
				No. Exped.	0	

- Delivery Complete can be found on the Delivery tab in the Item Detail section of the Purchase Order

Delivery Complete Indicator

MIGO Goods Receipt

The screenshot displays the MIGO Goods Receipt form with the following fields and values:

Material	Quantity	Where	Purchase Order Data
<u>Purchase Order</u>	4500014932	10	
"Del. Completed" Ind.	1 Set automatic		
Requisitioner	1 Set automatically 2 Set 3 Do not set		

A callout box with a blue border and green background contains the text: "Choose 'Set' from the dropdown box". A blue arrow points from this callout box to the "2 Set" option in the dropdown menu.

Closing Inventory Purchase Orders

- ④ Setting Delivery Complete releases funds encumbrance on the Purchase Order
- ④ No further action is required on the Purchase Requisition as long as the full quantity of the Purchase Requisition was converted to the Purchase Order

Carrying Forward Inventory POs

- 🌀 If you have any Inventory Purchase Orders with open quantities that you intend to receive in the new fiscal year, you must carry forward that purchase order
- 🌀 If an Inventory Purchase Order must be carried over to the new fiscal year, use transaction ZFMJ2.

Reports to manage Open P.O.s and P.R.s

- ④ ME5A – Open Purchase Requisitions
 - Helps identify purchase requisitions that were not fully converted to purchase orders
 - Helps identify which purchase requisitions have had encumbrance transferred back from the purchase order
- ④ ME2N – Open Purchase Orders
- ④ Open Encumbrance Report (BW)

Managing Inventory Payments

- ④ Always insure that invoices associated with an inventory PO's are posted against the inventory purchase order and proper goods receipt.
- ④ Do not direct pay any inventory POs.
- ④ Do not use the P-card to make any inventory purchases.

Physical Inventory (per CG's office)

- Take a physical count of inventories on hand at the end of the fiscal year.
- Do this on some date between April 1 and June 30 but choose a date as close to June 30 as possible.
- The date should not vary significantly from year to year.
- Notify the State Auditor's Office at least two weeks in advance of the date of the physical count. They may wish to send someone to observe the count.

Physical Inventory Reconciliation

- ☉ Pay attention to unit of measure when entering your count. The default is the base unit of measure.
- ☉ Physical inventory documents must have differences **POSTED** no later than June 30, 2011.
- ☉ Don't wait until June 30 to get started.

Helpful Transactions

- **MIDO: Display Physical Inventory Documents**
 - Items not yet counted
 - Documents not yet posted.

Display Phys. Inv. Overview: Stock Mgmt Units - w/o Ph. Inv.

Phys. Inventory Doc. for Material

Company Code SC01 Evaluation for 2011
Current Fiscal Year 2011 Current Period 10
Created on 04/29/2011 by SYOUNG

Plant DC23 SCDC Livesay B Camp Warehouse Stock
Storage Location 0001 Livesay B Camp

Material	Batch	S	Assignment	Unr.	Qual	Blck	Val.	SL
101490								
101491								
101501								
101502								
101503								

Example: materials not yet counted in this fiscal year

Helpful Transactions

MI22: Display Physical Inventory Documents by Material

- Shows all physical inventory documents
- Active documents must be POSTED or DELETED by June 30, 2011.

105691		COOKIES, ICED OATMEAL, 5OZ		DC23 0001					
100004357	217		2010.12	06/29/2010	06/29/2010	1			
100007975	24		2011.07	01/20/2011	01/20/2011	1			Doc. Active

Example: document not yet
POSTED

Other Year End Considerations

- ④ Inventory scrapping
 - Review any inventory that may be considered obsolete or damaged
 - Excess inventory - Can another section/department in your agency use the inventory?
 - Surplus inventory – comply with your agency's guidance and 19-445.2150
- ④ Ensure that Goods Receipts for the current fiscal year are posted

Lesson 4 Summary

- 🌀 You should now be able to:
 - Understand integration of Materials Reservations with Funds Reservations and the Budget.
 - Understand impact of open PRs and POs.
 - Understand other year-end considerations for managing inventory.
 - Understand what reports to review at year-end to manage inventory.