# BMC Module 10 - Retail Sales

Retail sales accountability (RSA) is a systematic process to monitor and manage retail/resale operations and ensure proper security and accountability for resale merchandise and consumable goods. The basic steps involved in using the retail sales accountability process are covered in this module.

Policies and procedures that guide decision making regarding inventory reconciliation are highlighted. Practical use of a simple worksheet to reconcile sales with inventory usage and to identify discrepancies that indicate inventory shortage provides you with a valuable management tool.

# 1.1 Overview; What is Retail Sales Accountability

The retailing process is the . nal step in the distribution of merchandise. Retailers are organized to sell merchandise in incremental quantities to their customers, generally without any changes. The buying of goods for resale is a characteristic of retail trade establishments. Resale merchandise is merchandise available in sales outlets, such as bars, snack bars, pro shops, and restaurants. Both regulations and best business practices require that these sales operations enforce accountability standards.

At the end of this lesson, you will be able to:

1. Dene retail sales accountability.
2. Relate the primary steps in the retail sales accountability process.
3. Identify regulations governing retail sales accountability.
4. List standard accountability tests.

# 1.2 Retail Sales Accountability De ned

## Retail Sales Accountability De ned

Retail sales accountability (RSA) is a management control process.

Specically, it is a comparison of sales records to actual receipts, followed by applying standard accounting tests based on inventory turnover.

**This process enables a manager to identify issues such as:**

- Signicant variances.
- The possible reasons for those variances. Actions
- that may be taken to correct the variances.

## Retail Sales Accountability compares cash received against inventory usage to ensure suf cient cash was received to offset the missing inventory.

In other words, RSA means comparing actual sales to expected sales based on inventory usage.

# 1.3 What are the Procedures for Retail Sales Accountability?

## What are the Procedures for Retail Sales Accountability?

Retail sales accountability involves the following procedures:

1. Daily accountability tests are performed on specic high cost or easily pilfered items.

2. Inventory documents are posted daily to reect opening inventory, transfer in and out, and closing inventory.

3. Sales accountability tests are performed monthly in coordination with monthly inventories.

4. Quantities sold are reconciled with RecTrac system generated cashier's history sales report, scatter sheet, or summary of sales recorded for each cashier.

5. Variations are explained in writing. Explanations are maintained with inventory records until the next audit.

# 1.4 Retail Sales Accountability Guidelines and Regulations

## Retail Sales Accountability Guidelines and Regulations

All Nonappropriated Fund Instrumentalities (NAFIs) that have resale activities use accountability controls regardless of volume. Accountability controls provide results of comparing sales records to actual receipts and applying standard accounting tests, based on inventory. Accountability tests involve the application of standard accounting calculations to detect variances between expected and actual receipts based on known factors such as inventory turnover and retail costs.

**AR 215-1 Regulations**

Specic guidelines for retail sales accountability are provided in the Army Regulation AR 215-1 Appendix G. Appendix G, titled: Cash Inventory and Retail Sales Accountability (Controls and Procedures) includes the following sections: Cash controls; Cash registers; Safekeeping of cash and bank deposit procedures; Petty cash funds; Checks; Inventory and warehouse controls; Retail sales accountability; Sales Accountability for Family and MWR-leased storage space; and Customer returns.

PDF

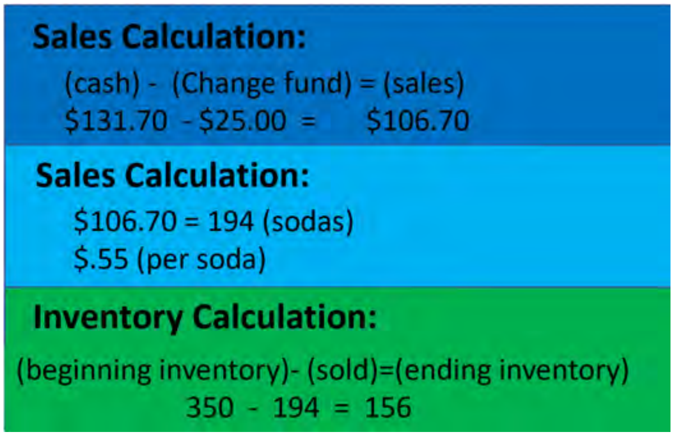
**AR215_1_Admin_FINAL.pdf**
3.2 MB

**DFAS-IN Regulation 37-1 Chapter 32 (NAF).pdf**
5.4 MB

## DFAS-IN Regulation 37-1, Finance and Accounting Policy Implementation

As directed in the AR 215-1, physical inventories of NAF property are conducted per DFAS-IN Regulation 37-1 Chapter 32. Table 4-2 of the Appendix provides a summary of the types and frequencies of physical inventories.

# 1.5 Simple Accountability Testing




**Simple Accountability Testing**

Accountability begins with counting the money in the Point of Sale system or cash register and reconciling (or "balancing") the amount of change the cashier started with and the amount of money taken in from sales.

Let's say the cashier started out with a $25.00 change fund for making change, and at the end of the day, there is $131.70 in the register. What were the cashier's sales in dollars?

To check to see if the cashier took in enough money to cover the items sold, the manager counts the items and compares the count at the end of the day to the count at the close of business the day before. For example, let's say an activity is selling sodas for $.55 each and the cashier starts the day with 350 sodas. Based upon actual sales in dollars ($106.70), the cashier would have sold 194 sodas.

When the manager counts the sodas left at the end of the day, instead of the 156 expected (from the ending inventory) there are only 150, which means that six sodas are missing (156 -150 = 6). Some possible explanations for this discrepancy are:

- The manager miscounted the sodas at the end of the day yesterday.
- Some sodas were rung up at a lower price, leaving a shortage of$0.55 x 6, or $3.30.
- Some sodas were pilfered.
- Some sodas were not rung up at all.
- Some combination of these causes.

**Expected Sales Based on Usage in $ dollars Calculation :**

(total sales) - (Change fund) = (expected sales in dollars)

$135.00 - $25.00 = $110.00

**Expected Sales Based on Usage in Units Calculation :**

(expected sales in units)

$\frac{\$110.00}{.55 \text{ per soda}}$ = 200 units

**The basis of RSA is to nd` any discrepancy (shortage or overage) by comparing inventory used to dollars in sales**

## Shortages may show up in dierent` ways.

**Another way to nd` the soda shortage is to deduct the change fund from the total soda sales (if sodas are the only products the activity sells) and determine how many sodas should have been sold based on that amount of money.**

### Simple Accountability Testing

Expected sales in units represent the inventory used/sold. This number is calculated by dividing sales dollars by the cost per item which tells you what dierence in inventory you should have. By comparison, actual sales are the dollar sales the cash register records on the cash register tape. The manager must account for any dierence between these gures.

# 1.6 Retail Sales Accountability Worksheets

## Retail Sales Accountability Worksheets

One way to manage daily sales accountability is with a worksheet. Although actual formats for the worksheet may vary, the purpose of the worksheet is to calculate actual retail sales and compare it to inventory used for an item or group of items. Daily worksheets are useful for managing specificc items. For overall sales accountability, inventory is managed on a monthly basis.


**RecTrac reports can be helpful.**

# 2.1 Overview: Resale Inventories Accountability

It is the manager's responsibility to maintain controls on retail sales. Any item or category that makes up a large percentage of an activity's business can have the highest potential for loss, so the manager should monitor it on a regular basis to make sure all is well.

The retail sales accountability method works on the principals that periodic physical inventories make it possible to anticipate the dollar amount of sales that should be recorded, and x` accountability for dierences` between anticipated and actual sales as to department, period of time, and personnel. Controlling shortages and managing inventories are simplified and ensured by periodic retail sales accountability measures.

At the end of this lesson, you will be able to:

1. Identify inventory types.
2. Select an inventory type based on described conditions and regulatory requirements.
3. Describe the procedures for conducting inventories.

# 2.2 Types of inventories

### **Types of Inventories**

Inventory refers to the periodic physical count and records reconciliation required in the control of Nonappropriated Fund Instrumentality (NAFI) property resources. Inventories may be done on a daily, monthly, or annual basis. The type of item being maintained determines how often an inventory is done and whether a full physical inventory is conducted.

## Full physical inventory

A **full physical inventory** means every item is counted (weighed or measured if the item happens to be candy or art supplies). While always conducting a full inventory will provide maximum control of resources, managers should be aware that taking a full physical inventory daily has some disadvantages that must be taken into consideration, such as:

1. Disruption of daily business and attention
2. Need for personnel to count and record.
3. Expense (time and money).

## Tracking

Items are identied and tracked for inventory using a point-of-sale system such as RecTrac, or an inventory management system like FOODTRAK. If these systems are not used, a key on the cash register should be assigned to each item (or category) and the key categories or items should be monitored using retail sales accountability processes.

## Daily Inventory

Most retail sales items do not require a daily inventory. However, according to the AR 215-1 Appendix G-6(9), a perpetual or continuous inventory is maintained for sensitive and high-dollar-value items. This would include food, beer, and wine as well as high volume, attractive, and/or easily pilfered items. The guidelines in the AR 215-1 Appendix G for items such as these specically state:

1. A physical inventory is performed daily.
2. Inventory documents are posted daily to re ect opening inventory, transfer in and out, and closing inventory.
3. Quantities sold are reconciled with the cashier's scatter sheet, or summary of sales recorded for each cashier.
4. Variations are explained in writing. Explanations are maintained with inventory records until the next audit.

## End-of-Month Inventory

A complete physical inventory should be conducted monthly for saleable merchandise, resale merchandise in sales outlets, and supplies. This inventory is to be done by fund employees under the direct supervision of the fund custodian or a designated representative. Variances or dierences will be researched, quanti ed, and documented by an appointed inventory team.
Team members will give an accurate accounting of owned inventory and determine how much inventory has been "lost" due to pilferage and paperwork errors. The tests will be conducted concurrently with scheduled inventory counts.

If the end-of-month inventory is inaccurate, the totals and percentages on the income statement, as well as the inventory turnover ratio for both the current month and the month that follows, will be inaccurate. The accuracy of the end-of-month inventory is critical to an activity's nancial evaluation.

## Annual Inventory

As directed by Table 4-2 in DFAS-IN 37-1 Chapter 32, full physical inventories are required on xed assets, all expensed equipment issued by DA Form 2062, and sensitive items. While most of these items are inventoried as part of management controls responsibilities, resale merchandise inventory must be performed as part of retail sales accountability.

These inventories are conducted annually by an appointed inventory team, while observed by an appointed independent observer. Variances or di erences will be researched, costed, and documented.

Table 4-2 in DFAS-IN 37-1 Chapter 32 summarizes the types and frequencies of all physical inventories.

# 2.3 Conducting the Inventory

## Conducting the Inventory

Following the inventory policies and procedures identied` in Table 4-2 in DFAS-IN 37-1 Chapter 32 will help the manager conduct a thorough and accurate inventory. Whether an activity is conducting a daily, monthly, or annual inventory, the activity manager will benet` from knowing and following specied` inventory policies and procedures.

These procedures are:

### 1. Inventory Printout

Obtain a computer-generated inventory printout from a point of sales system for the activity. If a manual inventory listing is required, you can create an inventory worksheet with columns that include: Item, Inventory Unit, Number on Hand, Cost per Inventory Unit, Extended Cost. Organize the items in the store room or outlet in conjunction with the sequential listing of items on the form or printout. This will save time and eliminate the possibility of overlooking a product.

### 2. Work in Pairs

Work in pairs. In addition to speeding up the process, pairs can verify the count and the documentation of the count. One person should identify, inspect, and count each item; the other should enter the count on the inventory list. Item identification should be made by stock number, if possible.

### 3. Record the Count

Record the count on the inventory document in ink. If an error is made, draw one line through the mistake and initial it. Do not use whiteout or scratch it out. This is an original nancial` control document, so the mistakes and corrections must be readable.

### 4. Verify

Verify that the merchandise is usable/saleable. If merchandise is not usable/saleable, you will need to check your location's Breakage and Spoilage Report to see if the item is already listed or needs to be added.

### 5. Reconcile

Reconcile the physical count with the automated or hardcopy stock records/in-house bin cards. The bin card should be updated to reect` any adjustment to the bin contents. All items requisitioned and received should be posted to the bin card.

### Summary

Make any necessary adjustments to the stock cards/in-house bin cards and the accounting records.

# 3.1 Overview: Using Cost of Goods Sold to Manage Accountability

## Overview

For Family and MWR resale activities, accounting tests are applied to the cost of goods sold and gross sales revenue. The actual cost of goods sold (COGS) is the best indicator the manager has of the health and protability` of an activity's operation.

Being able to determine the variance between actual goods sold and budgeted cost of goods sold is also important in deciding when to take corrective action.

Consistent use of the proper account codes is one of the first steps in monitoring COGS.
At the end of this lesson, you will be able to:

1. Match General Ledger Accounting Codes commonly applied to cost of goods sold (COGS) calculation with their use.
2. Explain the formula used todetermine the COGS.
3. Apply a formula to calculate cost of goods sold percentage.
4. Describe maximum variance as it applies to cost of goods sold.

# 3.2 General Ledger Accounting Codes used for COGS

## General Ledger Account Codes Used for COGS

Calculating COGS is a complex process. The important point of emphasis is that managers should be familiar with the accounts available and ensure that items posted in those accounts are handled correctly. Income Statements provide information for calculating cost of goods sold by summarizing information from invoices, inventories, and transfers by account codes. COGS takes the Total Goods Available for Sale, and subtracts from this amount the Total Deductions from goods available for sale.

## General Ledger Account Codes Used in COGS

# Additions

In order to determine total goods available for sale, the following GLACs are added to the beginning inventory:

### Account 401 - Purchases

Use this account to record the dollar value of all items purchased for resale.

### Account 402 - Warehouse Storeroom Requisitions

Use this account to record the dollar value of merchandise received by transfer from a warehouse or external storeroom.

### Account 403 - Transfer from Other Funds

Use this account to record the dollar value of merchandise received from another nonappropriated fund instrumentality (NAFI). Use this account to record a transfer from the post restaurant or chaplain's fund.

**Account 404 - Transfer from Other Activities/Departments** Use this account to record the dollar value of merchandise received from another program, location, or department. The department could be one in your own program or location. For example, use this GLAC if you move tomato juice originally purchased for the dining room to the bar department.

# 3.3 Cost of Goods Sold in Dollars

## Cost of Goods Sold in Dollars

COGS is dened` as the cost associated with the purchase of goods sold at retail. In some cases, that would just be the specic` cost for the product purchased for resale.

For example, if we purchase a gross of golf balls for $223.20, the cost per unit would be $1.55 each.

**$223.20 ÷ 144 (number in gross) = $1.55**

In another case, the COGS would be the specic` cost of the item plus the freight cost. We might purchase a bowling ball at a cost of $44.60 but have to pay $3.65 each for shipping to our location. Thus the actual cost of goods sold would be $48.25.

**$44.60 + $3.65 = $48.25**

In a third case, the cost of goods would be the aggregate cost of all of the items used to "manufacture" the product we sell. When we sell a hot dog, the cost of the product is the total of the hot dog ($.16), the hot dog bun ($.11), and the estimated cost of mustard, onions, relish, etc. ($.03) or a total cost of $.30.

$.16 + $.11 + $.03 = $.30

### Let's look at this equation as it is formatted and presented on the income statement.

It is shown in two separate parts:

- Part 1 Total Goods Available for Sale and
- Part 2 Total Deductions (for those goods not sold).

**COGS Formula** Part 1

| | |
|---|---|
| **Beginning Inventory** | **$2,000** |
| + 401 Purchases | 1,000 |
| + 402 Warehouse/Storeroom Requisitions | 250 |
| + 403 Transfer from Other Funds | 300 |
| + 404 Transfer from Other Activity/Dept | 100 |
| = Total Goods Available for Sale | $3,650 |

Part 1 is the dollar value of all of the products that were available for sale during the entire accounting period. The value of the beginning inventory is determined by a physical count of the products, multiplied by the individual cost of each item. The remaining dollar values for GLACs 401 through 404 are posted from the value of the invoice or transfer voucher. All of these accounts are combined to yield the Total Goods Available for Sale.

**COGS Formula** Part 2

| **Part 2:** | |
|---|---|
| - Remaining Items | $100 |
| - Items no longer available for sale | 50 |
| - Items transferred out | + 50 |
| = Total Deductions | $200 |

Part 2 is the dollar value of all the items that are left at the end of the month or were no longer available for sale during the period. The items no longer available for sale include items charged o`  to an expense account; items moved to another fund, activity, or department; and items returned to the warehouse. The value of the ending inventory is determined by a physical count of the products multiplied by the individual price of each item. The dollar value for all of the remaining GLACs is obtained from the total of the transfer out or credit voucher.

| **Calculating COGS: Final Step** | | |
|---|---|---|
| Part 1: | | $3,700 |
| Part 2: | - | 200 |
| COGS | | $3,500 |

**COGS Formula**

In the nal`  step of calculating COGS, Total Deductions are subtracted from the Total Goods Available for Sale.

# 3.4 Cost of Goods Sold Percentages

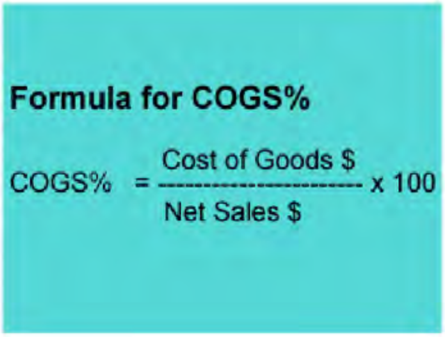
Cost of goods sold is monitored in terms of the cost of goods sold percentage (COGS%).

By calculating cost of goods sold as a percentage on entire inventories or categories of merchandise, it can be compared to the approved budget.

The desired percentage for COGS is established during budget formulation.

The budgeted percentage is compared to the actual percentage each month in order to determine if the COGS% is increasing, decreasing, or  uctuating.

COGS should be an absolute variable cost, always consuming the same percent of the resale price. Based on that ideal premise, we monitor these expenses in terms of increases or decreases in the cost of goods sold percentage.




### Cost of Goods Sold Percentage

## What does a 71.6% cost of goods sold really mean?

We hear the gure` bantered around often, but seldom do we stop and think that it really means that 71.6 cents out of every dollar collected are going to pay for the product we sold.

Conversely, this leaves only 28.4 cents out of every dollar to pay all of the other expenses associated with Sales: labor, utilities, supplies, depreciation on assets, etc.

# 3.5 Allowable Maximum Variance

### Allowable Maximum Variance

If the actual cost of goods sold exceeds the budgeted cost of goods sold, the manager will not realize the prot` he or she planned during the budget process. Each activity has an established percentage of variance from the budgeted cost of goods sold that indicates when corrective action must be taken.

Because dierent` businesses have dierent` characteristics, the maximum allowable variance between expected and actual COGS may be dierent` from activity to activity. These percentages are based on historical performance of each type of business.

| ALLOWABLE COST OF GOODS SOLD PERCENTAGE POINT VARIANCE | | |
|---|---|---|
| ACTIVITY | EXPECTED COGS | ACTUAL SALES vs EXPECTED SALES |
| Food | 2% | .5% |
| Bar | 1% | 2% |
| Other | 1% | 1% |

## Allowable Maximum Variance

**Food activities have a larger percentage of allowable variation from expected COGS. An operation with a salad bar or buffet would probably have a higher shortage from spillage than would a traditional restaurant where the plate is prepared in the kitchen. Operations with merchandise like golf or bowling items will generally have a lower variance.**

# 4.1 Overview: Retail Sales and Accountability Problems and Solutions

## Overview

There are many questions management may need to ask before they begin to hypothesize causes for a large variance in cost of goods sold percentage (COGS%). There is a fairly comprehensive list of changes or problems which could impact COGS%. In order to organize the list slightly, they have arbitrarily been grouped into operational and administrative problems.

At the end of this lesson. you will be able to:

1. Describe and list operational problems that a.  ect COGS%.
2. Describe and list administrative problems that affect COGS%.
3. List possible solutions to COGS% problems.
4. Identify a sequence for applying solutions.

# 4.2 Operational Problems

## Operational Problems

Operational problems are dened as management or employees failing to follow prescribed procedures. This denition is provided to dierentiate them from the type of problems that we have arbitrarily titled administrative errors. Operational problems that may occur include:

- Employees counted the end of month inventory incorrectly.
- Receiving report not submitted when merchandise was received.
- Partial receiving document not prepared.
- Pricing did not generate required COGS%.
- Merchandise moved between locations or departments without a transfer voucher.
- Sales incorrectly recorded at the point of sale, such as: Wrong Department or Discounts not recorded.
- Customer or employee pilferage.
- Portion control not achieved.
- Spoilage, breakage, obsolescence not recorded.
- Waste not controlled.
- Sales mix changed.

> Transfers ("in" or "out"), also known as "TBA's" (transfers between activities), affect the amount of inventory an activity has available for sale. TBA's are accomplished through the use of an automated transfer in FOODTRAK, RecTrac, or DA Form 4080.

# 4.3 Administrative Problems

## Administrative Problems

Administrative problems are those that involve pricing, extending, or posting paperwork. These errors could be caused by a mistake in completing paperwork, as opposed to not initiating the paperwork at all. This category of problems normally focuses on inaccurate pricing, incorrect extension, or miss-dating some type of paperwork. Specific problems could include:

- End of month inventory priced inaccurately.
- End of month inventory extended incorrectly.
- Receiving document processed against the wrong month.
- Freight cost not included in calculation of the price.
- Transfer voucher improperly priced.
- Transfer not extended correctly.
- Inventory unit costs are entered incorrectly.
- Valuation report run incorrectly - last cost vs. average cost.
- Waste not controlled.
- Sales mix changed.

# 4.4 Problem Solving

Solving Operational or Administrative problems can best be achieved by following certain procedures.

## Problem: Incorrect Inventory

- Establish organized and specific procedures to conduct end of month inventories using a detailed Standard Operating Procedures (SOP) document.
- Procedures should specifically include requirements to conduct inventory counts from left to right and top to bottom to ensure no items are missed.
- All inventories should be listed prior to the count in the inventory sequence.
- Managers must ensure that high dollar value and high volume items are recounted.
- anagers should recheck at least 10% of the physical inventory.

## Problem: Receiving Report Not Submitted

- In order to properly control receiving, you should have a detailed SOP that prescribes the specific procedures that will be used.
- ** Designate only those people fully trained and familiar with the requirements outlined by the SOP as responsible to accomplish all receiving.
- ** Formulate a receiving checklist to assist even the trained employees.
- ** Limit receipt of merchandise to non-peak hours.

## Problem: Transfer Voucher Not Prepared

- ** Limit access to storeroom and warehouse areas to employees who are trained on how to issue merchandise to sales areas, other departments, expense accounts, and other activities.
- ** Require and spot check to ensure that transfer vouchers are properly prepared on DA Form 4080 signed at the time the resale goods are issued or moved.
- ** Family and MWR activities that have resale merchandise should maintain daily sales accountability for at least high dollar value or sensitive items and require that sales accountability overages and shortages be investigated and resolved.

## Problem: Sales not Properly Documented

- Review the entire sales documentation system.
- Ensure that employees have available on hand a reference document that designates where to ring each item on the cash register.
- Frequently used keys on the cash register should be separated as far apart as possible.
- Ensure Cashier's Reports and Daily Activity Reports clearly indicate the department where all income should be recorded.
- Ensure all new cashiers receive hands-on cash register training.
- Investigate cash overages and shortages to determine causes; retrain employees as required.
- Where cash control/inventory problems continue, use prenumbered control forms as a cross check to cash register documented sales.

## Problem: Merchandise or Goods Diverted

- Secure merchandise not in the resale area. If access is limited, there is less chance for diversion by either employees or customers.
- Establish sales accountability inventories for items that continue to show overages or shortages.
- Ensure that the sales control point is located next to exits from the resale area to discourage shoplifting.
- Establish control procedures for sales to employees by either limiting purchase to a specific time or requiring supervisor authentication.
- Run frequent spot checks of inventory to stock record or bin cards.
- Focus on the items which show a history of pilferage and those with a high dollar value.

## Problem: Under or Over Portioning

- Spot check the portions being served by employees.
- Ensure that the correct portioning utensils and containers are the only ones available for employee use.
- Develop and display portion size lists in places where they are a ready reference for employees.
- In food sales areas, use standard recipes for all cooked items to ensure food cost is consistent.
- In all areas, train and retrain employees on correct portions and proper serving utensils/ containers.

## Problem: Change in Sales Mix

- Check the number of products sold and the sell price for each item. Using this data, calculate the expected sales (if all missing product was sold). This total is then compared to the actual sales on the income statement.
- If the expected and actual COGS% are the same or nearly the same, any shift in COGS% from the previous month is the result of a change in sales mix. On the other hand, if the actual COGS% is significantly higher than the expected COGS%, that indicates that an administrative or operational problem exists.
- If a change has occurred in the sales mix, it may require a revised forecast or budget.

## Problem: Errors on the Inventory Paperwork

- Establish, to the maximum extent possible, two-person teams to conduct inventories. Insist that counter and recorder review quantity and unit of issue at the time of inventory.
- Price and extend the inventory in the activity with an observer spot-checking the prices and extension.
- Managers should accomplish a line by line check of the inventory document prior to submitting it to NAF Financial Services. This spot check should identify glaring errors that distort the correct value of inventory.

## Problem: Errors on the Transfer Voucher

- All prices and units of issue and extension of the document should be rechecked prior to leaving the activity.
- If two signatures are required (one by issuing person and one by receiving person), then each should check the accuracy of the value assigned to the transfer voucher.
- Once again, the resale supervisor or manager should perform a spot check before the document is submitted to NFS.

## Problem: Errors on Receiving Reports

- Receiving reports must be completed and dated at the time the merchandise is received.
- Annotate receiving reports near the end of the month as BEFORE or AFTER inventory so that there is no chance for miss-posting at NAF Financial Services.

# 4.5 Applying Solutions

Unfortunately, there is no step by step order or format for applying solutions.  Much of the order and what to try first will come with experience and practice. Start with the simplest and easiest things first.

It is relatively easy to ensure the accuracy of the inventory. All that's required as corrective action is checking and rechecking. It is not as easy to ensure that all of the transfer vouchers are prepared or all of the income is recorded properly.

In these cases, it involves a longer time span to train employees, apply proper management follow up, and retrain as required.

- **Review and Fix Administrative Problems.** Errors in pricing, extending, and dating inventories, transfers, and receiving reports can be identied from nancial records and generally require only more attention to detail and review.

- **Sales Mix Problems.** Perhaps preparing the sales mix should be the rst step, but it is less time consuming to review the administrative problems. Performing the sales mix is next because, if it reveals a shift in customer preference, then all of the other operational "xes" are no longer required.

- **Inventory Problems.** Improving inventory procedures can be xed rapidly and, when combined with number 1 above, the value of the inventory will be veried.

- **Pricing Problems.** Once again, pricing is on a par with inventory because it can be reviewed and xed quickly and just requires periodic management attention.

- **Receiving Problems.** This category goes next because establishing the procedures and training a few people you trust to do it right is relatively easy to accomplish. Providing the follow up is a little more dicult.

- **Sales Documentation Problems.** This category falls in the same area as receiving. The major reason it falls after receiving is that it requires more review, retraining, and follow up.

- **Portioning Problems.** Requirements for portion control are easy to review but may be dicult in practice. Train and retrain to gain consistency. This is a category that always seems to slip through the crack!

- **Transfer Problems.** It is dicult to track merchandise that moves around. The major eort must be with employees to get them to realize that the movement of merchandise must be recorded. Youwill be extremely fortunate to get this one absolutely correct unless you lock everything up and keep the keys and issue yourself; however, most managers nd this is not a workable solution.

- **Theft/Waste**. All sta need to be constantly vigilant to eliminate or reduce theft/waste. While we will never identify all of the problems in this category, the focus must be to minimize the opportunity.

## Applying Solutions

Remember, this is a general prioritization which may not work for the specific Family and MWR activity you operate. For those attacking the problem for the first time, it is a starting point.