Counting is the Secret to Inventory Accuracy

As the New Year begins, most of the holiday rush and the "dreaded" physical inventory counts have come to a close … or have they? One of the most important things that we discuss in our inventory management workshop is how to successfully count inventory and why it is important.

ABCs of Counting

A cycle count is an inventory management procedure where a small number of inventory items are counted on any given day. Cycle counts differ from traditional physical inventory in that physical inventory stops operation at a facility while all items are counted at one time. Cycle counts are less disruptive to daily operations, provide an ongoing measure of inventory accuracy, and can be tailored to focus on items with higher value, higher movement volume, or that are critical to business operation. The practice should use its ABC analysis to determine how often items should be counted for a particular category. Please note that controlled drugs should be counted more often even though they are a low revenue center based on the general invoicing protocols.

Some of you have taken advantage of MWI's Inventory Consultant Team to assist you with an ABC analysis of your inventory. This is great way to see how your products have been selling over the past year and create new reorder points based on that information. When considering how often to count inventory, it is necessary to keep this information available when developing a cycle counting system. Generally your "A" products generate the most revenue and should be counted more often. If you don't maintain a correct quantity on hand in your practice management software, you will not be able to utilize your software to develop valuable information such as electronic want lists from inventory that has reached its reorder point valuation reports.

Tips for counting:

- Count when product is low.
- Utilize count sheets with no indication of the actu quantity on hand. This is referred to as a "blind count."
- Include a location for each item to increase time efficiency.
- Don't count for longer than 30 minutes and make adjustments immediately.
- Break up larger quantities into smaller quantities.
- Count "A" products weekly.
- Count "B" products monthly.
- Count "C" products quarterly.

Contact your Sales Representative for more tips on creating a customized count sheet using mwianimalhealth.com.

Inventory Adjustments

The end-of-the-year count for most practices is a time dedicated to adjusting inventory on hand and calculating the total cost for tax purposes. If your goal is to achieve effective inventory management, start cycle counting and eliminate your end-of-the-year count. Inventory adjustments can be tracked in your software by using inventory adjustment reports. This will provide the necessary information to research discrepancies: Item ID, Description, Date, Adjusted Quantity, New Quantity, User, and Reason Code. Once you have created a system that corrects inaccurate inventory, you still need to adopt a system to prevent future inaccurate inventory. By comparing transaction or audit reports to inventory sales and medical record audits, you can identify the cause and change policies to prevent future adjustments. Oftentimes it is the method of handling the stock that causes the discrepancies.

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Material Missing From Inventory:

- Are purchase orders verified by packing slips?
- Are sample quantities of the item being removed from inventory without being recorded?
- Are internally used items deducted from inventory?
- Are employees pulling the correct product from the shelf?
- Are purchases made by employees itemized on invoices?
- Do you suspect the product is being stolen?

More Material on the Shelf Than Expected:

- Are invoices received in a timely manner?
- Can you streamline protocol to expedite the receiving process?
- Are employees pulling the correct product from the shelf?
- Can this problem be solved with additional training or by separating the stocking locations of the two items?

Material is Outdated:

- Are employees rotating stock?
- Should the amount ordered be adjusted?
- Are you tracking expiration dates monthly?

Counting can be delegated to team members who are available. Be sure these are blind counts and that they don't know what we should have. Be sure to check expiration dates! The inventory manager must double count anything that has a discrepancy.

CYCLE COUNTING SCHEDULE

Month 1	Month 2	Month 3	Month 4
Week 1: Top 25% of "A" items	Week 1: Top 25% of "A" items	Week 1: Top 25% of "A" items	Week 1: Top 25% of "A" items
Week 2: 2nd 25% of "A" items	Week 2: 2nd 25% of "A" items	Week 2: 2nd 25% of "A" items	Week 2: 2nd 25% of "A" items
Week 3: 3rd 25% of "A" items	Week 3: 3rd 25% of "A" items	Week 3: 3rd 25% of "A" items	Week 3: 3rd 25% of "A" items
Week 4: 4th 25% of "A" items	Week 4: 4th 25% of "A" items	3rd 33% of "B" items	Week 4: 4th 25% of "A" items
Top 33% of "B" items	2nd 33% of "B" items	Week 4: 4th 25% of "A" items	Top 33% of "B" items
		All "C" items	
Month 6	**Month 6**	**Month 7**	**Month 8**
Week 1: Top 25% of "A" items	Week 1: Top 25% of "A" items	Week 1: Top 25% of "A" items	Week 1: Top 25% of "A" items
Week 2: 2nd 25% of "A" items	Week 2: 2nd 25% of "A" items	Week 2: 2nd 25% of "A" items	Week 2: 2nd 25% of "A" items
Week 3: 3rd 25% of "A" items	Week 3: 3rd 25% of "A" items	Week 3: 3rd 25% of "A" items	Week 3: 3rd 25% of "A" items
Week 4: 4th 25% of "A" items	3rd 33% of "B" items	Week 4: 4th 25% of "A" items	Week 4: 4th 25% of "A" items
2nd 33% of "B" items	Week 4: 4th 25% of "A" items	Top 33% of "B" items	2nd 33% of "B" items
	All "C" items		
Month 9	**Month 10**	**Month 11**	**Month 12**
Week 1: Top 25% of "A" items	Week 1: Top 25% of "A" items	Week 1: Top 25% of "A" items	Week 1: Top 25% of "A" items
Week 2: 2nd 25% of "A" items	Week 2: 2nd 25% of "A" items	Week 2: 2nd 25% of "A" items	Week 2: 2nd 25% of "A" items
Week 3: 3rd 25% of "A" items	Week 3: 3rd 25% of "A" items	Week 3: 3rd 25% of "A" items	Week 3: 3rd 25% of "A" items
3rd 33% of "B" items	Week 4: 4th 25% of "A" items	Week 4: 4th 25% of "A" items	3rd 33% of "B" items
Week 4: 4th 25% of "A" items	Top 33% of "B" items	2nd 33% of "B" items	Week 4: 4th 25% of "A" items
All "C" items			All "C" items

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