

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
ADMINISTRATIVE PROCEDURES  
VOLUME V, CHAPTER 7

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**SUBJECT:** INVENTORY  
**CHAPTER TITLE:** INVENTORY CORRECTIONS

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I. **INTRODUCTION**

Effective: 3/15/2004

The Department of Transportation's Remote Entry Management Information System (REMIS) is an integrated system. This means that a single entry can result in a number of changes to several different subsystems at once. For instance, a single "Purchase Receipt" entry of an inventory item automatically: 1) charges the receiving organization's accounting "Authorization," 2) increases the "Current Balance" and "Total Cost" of the inventory item at the receiving organization and inventory location, and 3) recalculates that item's average "Unit Price." Thereafter, any inventory "Usage" or "Transfer" entries of the subject inventory item will be charged to the organization, or project "Authorization" at the newly calculated "Unit Price." If the preceding "Purchase Receipt" was in error, not only could payment of the vendor's invoice be affected, but also the accuracy of the inventory item's "Current Balance," "Total Cost," "Unit Price," as well as the accounting charges of the "Usage" or "Transfer" entries that followed.

Considering the integrated design of REMIS, selecting the proper inventory correction process is important. The correction process to be used depends upon the error made (wrong quantity, wrong unit price, wrong classification, wrong organization, wrong inventory location, etc.), when the error is discovered (before or after related inventory usages or transfers have been made and before or after the vendor has been paid), and whether the error affects only the Purchase System transaction, the inventory item master, or both. Generally, the later the error is discovered and the more transactions have been done since the error, the more difficult it is to correct.

Correcting Parts, Materials, and Supplies (PMS) inventory errors to REMIS can be a complex issue, since the average unit price of the item may have been incorrectly changed resulting in incorrect costing for any following usages and transfers. Correcting Fixed Asset inventory receipt entry errors is simpler (than PMS errors), since usages are not involved, and since the inventory master is established for each unit and after the purchase receipt (PR) entry.

Because of the complexity of this issue, PMS inventory receipt corrections must be considered on a case by case basis by employees familiar with the Purchasing, Inventory, and Accounting Systems of the DOT. The information in this chapter is offered as a general guide. Before making any inventory corrections, employees should consult their organization's storekeeper (or designee) and Transportation Finance Division, Procurement Section for specific guidance. The Appendix, at the end of this chapter, offers some examples of inventory error situations and their resolutions. This may be helpful as well.

Employees involved in making inventory corrections should take care to follow this Procedure carefully and submit Journal Vouchers (Form BF-143) as directed, for the Inventory Control Section of Procurement Section reviews a bimonthly report on non-vendor receipt entries into REMIS. Most non-vendor receipts require the submission of a Journal Voucher (Form BF-143) to the Procurement Section of Transportation Finance Division. Therefore, Inventory Control may match the non-vendor receipts on the report to corresponding Journal Vouchers, to check for compliance. When required Journal Vouchers are missing, the Inventory Control Section will transmit a copy of the report to the appropriate organization storekeepers, and require them to complete and submit the Journal Vouchers.

- In all cases where the following instructions direct that a usage (IU) must be charged to correct an inventory error, Authorization IEXP002 must be charged and the Activity Code to which the material was originally expensed must be used.



## II. CORRECTING PURCHASE RECEIPT (PR) ENTRIES

Effective: 3/16/98

Since the REMIS Purchase System is the primary means of receiving inventory, errors will mostly occur with Purchase Receipt (PR) entries. These inventory receipt errors can be difficult to correct, since they may affect three systems (Purchasing, Inventory, and Accounting); therefore, this information may only be used as an abbreviated guide to these corrections.

- A. Purchase Receipt errors are corrected by making a reversing (credit) "PR" and a correcting (debit) "PR" entry. All correcting "PR" entries must be documented on the appropriate purchase receipt document (Forms DOT-5 or DOT-105).
  1. If the purchase master "units" and "amount to be received" equals or exceeds the incorrect entry amounts, enter the correct "PR" entry (debit) first, followed by the reversing "PR" entry (credit) to avoid the possibility of putting the inventory into a negative balance (there could be a negative balance if there have been usages or transfers out since the incorrect entry - the system will allow a negative balance only once, but afterwards, no further negative "PR" entries are allowed until the balance is returned at least to zero.
  2. If the purchase master "units" and "amount" to be received are less than the incorrect entry amounts, check the inventory item's current balance. If the item's balance is equal to or greater than the incorrect "PR" units, then enter the reversing "PR" followed by the correct "PR." If the item's balance is less than the incorrect "units" or amount, enter an inventory non-vendor receipt (IN) to adequately increase the balance of the inventory item. Next, enter the reversing "PR" (credit) entry, followed by the correct "PR" (debit) entry. After making the "PR" corrections, enter an inventory usage (IU) (change the Authorization as directed in Section I).
 

- an alternative method for this correction, which would avoid the "IN" and Journal Voucher process, would be to have the organization storekeeper remove the quantity and dollar edits on the master, to allow the "PR" debit to be done first, and then the reversing "PR" credit.
  3. For reversing "PR" entries, use a negative quantity (purchase and inventory) and a negative total dollar amount that exactly matches the original incorrect receipt in number of items received, dollars, and accounting.
- B. If there have been no inventory (PMS) usages or transfers since the incorrect "PR" entry or if the receipt error did not change the Unit Price of the item, then no further corrections are required.
- C. If there have been inventory (PMS) usages or transfers since the incorrect "PR" entry, and the charged unit price was incorrect, the steps in Sections "III" and "IV" of this chapter must be completed before further inventory transactions can be entered.
- D. If Form DOT-877, "Fixed Assets Inventory Field Report" was submitted and an inventory master was entered before the correcting "PR" entry, see Section "VI" of this chapter.



## III. CORRECTING INVENTORY USAGE (IU) AND TRANSFER (IT) UNDER/OVERCHARGES FOR PMS

Effective: 3/16/98

If the inventory receipt error caused an incorrect Unit Price, all following usages or transfers of the items will have been incorrectly charged. To correct these errors, Journal Voucher (Form BF-143) entries must be prepared for each over or undercharged usage and transfer. Obviously, all organizations receiving incorrect transfers must also make corrections.

As soon as an error is discovered, all posting (receipts, usages, transfers) to the item must cease to avoid complicating the error even more. Then, to determine the amount of over or undercharge, the following analysis and correction process must be followed.

- A. Determine the inventory "Current" Balance, Total Cost, and Unit Price of the item just prior to the inventory receipt error;
  - 1. Identify all transactions back to the receipt entry error (use the PMS Detail Report);
  - 2. Calculate backwards from the Current Balance and Total Cost on REMIS to the "Current" Balance before the receipt error (add all usages and transfers out, subtract all receipts and transfers in since the receipt error);
- B. Multiply the previous Current Balance by the previous Unit Price to determine the Total Cost before the error was made;
- C. Then, determine what the Current Balance, Unit Price, and Total Cost of the item would be if the inventory receipt had been made correctly;
- D. Determine the difference between the correct and the incorrect Unit Prices and calculate the amount of over or undercharge for each incorrectly charged usage or transfer;
- E. Finally, record and process all Journal Voucher entries on Form BF-143, submitting the original of the form to Transportation Procurement Division.

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#### IV. CORRECTING AN INVENTORY ITEM'S TOTAL COST ON THE MASTER

Effective: 3/16/98

After correcting an inventory receipt error, the item's Total Cost and Unit Price must be corrected before any further inventory transactions are entered.

- A. If the inventory item's Total Cost is higher than it should be, enter a non-vendor receipt zero units, zero Unit Price, and negative Total Cost in the amount needed to adjust the inventory item master.
- B. If the Total Cost is lower than it should be,
  - 1. enter a usage (IU) of one unit(charge the Authorization indicated in Section I), then
  - 2. enter an "IN" of one unit with a Unit Price and total cost equal to the current Unit Price plus the amount needed to adjust the inventory item master (the system will not allow a positive cost to be entered with a zero quantity).
- C. After all corrections have been made, the posting of transactions may continue. Enter all receipts, usages, and transfers of the "first" day before doing any others, followed by the next day, and continuing in chronological order until the system is caught up.

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#### V. CORRECTING NON-VENDOR RECEIPT "IN" (PMS) AND INVENTORY TRANSFER "IT" ENTRIES

Effective: 3/16/98

Which "IN" or "IT" receipt corrections should be made and how to make them depends upon the type of error made. Following, are processes for some of the most common errors. Note that additional transactions may be required (as explained in previous sections of this chapter and as illustrated in the Appendix) if Unit Prices have been affected, and if there were other transactions after the error.

- A. Wrong Quantity:
  - 1. Too little - enter the additional quantity through another transaction ("IN" or "IT" entry).
  - 2. Too much (IT) - the receiving organization enters an "IT" to transfer back the excess to the original organization and inventory location.  
  
Too much (IN) - do an "IU" to usage the excess out of inventory to the Authorization indicated in Section I. Unit cost must be considered on these two corrections. Adjustments could need to be made to the Master values and Journal Voucher on the "IT" difference.

B. Wrong Classification, Organization, and/or Inventory Location:

1. For "IN" errors, an "IU" must be entered to charge out the incorrect receipt (use the Authorization indicated in Section I). An adjustment on the total money could be required.
2. For "IT" errors, the receiving organization must enter another "IT" to transfer the item(s) back to the original organization and inventory location. Again, an adjustment could be needed on the value in both organizations on the Journal Voucher for the difference.

C. Wrong Amount - Cost Only:

Refer to Section IV.A. or IV.B. to correct this type of error.



VI. **CORRECTING FIXED ASSET INVENTORY MASTER ERRORS AND MAINTAINING ACCURATE INFORMATION**

Effective: 6/1/2001

Each organization is authorized to correct most of the information of their Fixed Asset inventory masters. The organization may retag/reclassify an item, transfer an item, and may correct much of the item's descriptive information.

Fixed Asset information, especially the assignments made to employees, should be reviewed periodically by the storekeeper to maintain accuracy in the inventory.

The organization's Fixed Asset inventory correction and master maintenance capabilities are described below and provided within the REMIS, "HW-50," Fixed Assets "FA" function. If other corrections to a Fixed Assets inventory item's master are required, such as the purchase price, a Form DOT-877 must be processed to Transportation Finance Division, Procurement Section.

A. Retag/Reclassify

1. This function permits the owning organization to correct or change the inventory class, type, or tag number.
2. Document retags/reclassification by preparing and retaining Form DOT-877.

B. Change General Information

1. This function permits the owning organization to change:
  - a. description
  - b. serial no.
  - c. manufacturer
  - d. make
  - e. model
  - f. capacity
  - g. c. type
  - h. purchase date, organization, and purchase number
  - i. warranty expiration date
  - j. depreciation (y/n)
  - k. estimated life
  - l. salvage percent
  - m. new/used
2. This function also permits the owning organization to record Fixed Asset item assignments as follows:
  - a. Contact Name/Assigned To
  - b. Location
  - c. Other/LU - All Class 815, Computer items must have their mainframe computer "Logical Unit Address" recorded in this field.

3. Document these changes by preparing and retaining Form DOT-877.



## VII. EXAMPLES OF PMS INVENTORY CORRECTIONS

Effective: 3/16/98

Following, are examples of PMS inventory errors that could be made and the logical corrections for them. Compared to errors that are likely to occur, these examples are greatly simplified, so that the correction processes can be explained clearly. These correction examples are provided as general guidance only and it is recognized that there may be alternative correction processes that would work as well, or possibly better, than these. Much depends upon the exact error made and the number and variety of additional transactions that are posted before the error is caught; these examples cover only a few of the potential error situations.

### A. EXAMPLE 1

Organization "A" has a PMS item on inventory with the following characteristics:

Current Balance	10.000
Unit Price	1.0000
Total Cost	10.00

They order 200 more units at the same price of \$1.00 each. A partial delivery of 10 units is made, but it is entered as 100 units, rather than 10. Now, their inventory record looks like this:

Current Balance	110.000
Unit Price	1.0000
Total Cost	110.00

- Had the PR been entered correctly, the record would look like this:

<i>Current Balance</i>	<i>0.000</i>
<i>Unit Price</i>	<i>1.0000</i>
<i>Total Cost</i>	<i>20.00</i>

Then, Organization "A" transfers 20 units of the item to Organization "B," which leaves the Organization "A" inventory record like so:

Current Balance	90.000
Unit Price	1.0000
Total Cost	90.00

1. At this moment the error is discovered. The clerk must **stop posting** any additional transactions.
2. The Current Balance of the item before the error was made, if not known, must be determined. Use the PMS Detail Report.
3. To correct this error, Organization "A" must make the PR entry of 10 (+), resulting in:

Current Balance	100.000

Unit Price	1.0000
Total Cost	100.00

4. Then, they must make a PR entry of -100 units at -\$100 total cost, which will result in the correct record:

Current Balance	0.000
Unit Price	0.0000
Total Cost	0.00

- Organization "B" does not need to adjust their records, since the error did not affect the Organization "A" Unit Price.
- No Journal Voucher entries are required, since the Unit Price at Organization "A" was not affected.
- The correction process would have been the same if the 20 units had been usaged instead of transferred.

## B. EXAMPLE 2

Effective: 3/16/98

Since storekeepers set controls on the REMIS Purchasing System (unit price, total amount that may be ordered, etc.), the error set forth in the following example should only be possible under the following conditions: 1) the storekeeper has put incorrect information into the master, 2) the items in question are Class 11 materials and there has been a fall-down in gradation, resulting in a lower price, 3) the DOT has been charged demurrage, resulting in a higher price, or 4) the item is one that often fluctuates in price and so the storekeeper does not set the price on the master (such as gasoline, diesel, etc.), and the entry clerk has entered the wrong unit price.

Organization "A" has a PMS item on inventory with the following characteristics:

Current Balance	10.000
Unit Price	1.0000
Total Cost	10.00

They purchase (PR) 10 more of the item at \$1.10 each. The PR is entered. The REMIS inventory record is now as follows:

Current Balance	20.000	*21.00 , 20.000 =
Unit Price	1.0500*	1.0500
Total Cost	21.00	

Then, Organization "A" usages two of the items and transfers four of them to Organization "B," making the Organization "A" record as follows:

Current Balance	14.000	*14.000 x 1.050 =
Unit Price	1.0500	14.700
Total Cost	14.70*	

Prior to receiving the transfer, the Organization "B" record for the item was:

Current Balance	1.000
Unit Price	0.9500
Total Cost	0.95

After the transfer, the Organization "B" record was:

Current Balance	5.000	*1.0500 x 4 = 4.20
Unit Price	1.0300*	4.20 + 0.95 = 5.15
Total Cost	5.15*	5.15 , 5.000 = 1.0300

Afterwards, the original unit price was found to be incorrect. It should have been \$1.00 instead of \$1.10. As a result of the PR entry error at Organization "A," the unit prices for the item at both organizations are now incorrect. Additionally, the Organization "A" usage has now been charged out at the wrong cost.

1. As in Example 1, if the Current Balances and Unit Prices prior to the error are not known, the PMS Detail Report will be used to determine them. Also, all posting needs to stop when the error is detected.
2. To correct the error, Organization "B" must be advised to reduce the Total Cost of their inventory by -.40 (4 units x .10). If they have had no activity, Organization "B" enters an "IN" with zero units, zero Unit Price, and -.40 Total Cost.
3. Organization "A" can apply the purchase receipt correction process of "Section II" in this chapter (credit and debit entries) to correct the amount owed and the unit price of their inventory.
4. Organization "A" must process Journal Vouchers for the price differences in the two used items and for the four transferred items.

- If Organization "B" had used any of the item, they too would be required to process Journal Vouchers for any usages made at the incorrect Unit Price, and to adjust their master to correct the unit cost.

### C. EXAMPLE 3

Organization "B" calls Organization "A" and asks them to transfer (to "B") 15 units of #8 AASHTO Crushed Gravel, which is Class 011, Type 003, Subcode 000008. Organization "A" agrees but when the "IT" entry is made, the clerk mistakenly enters Class 011, Type 001, Subcode 000008, which is #8 AASHTO Slag. Prior to this transaction, the inventory record at Organization "A" for #8 AASHTO Slag was:

Current Balance	125.000
Unit Price	12.3456
Total Cost	1534.20

The inventory record at Organization "B" for #8 AASHTO Slag was:

Current Balance	268.000
Unit Price	9.6001
Total Cost	2572.83

After the transfer, the records are as follows:

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<u>Org. A</u>		<u>Org. B</u>
Current Balance	110.000	Current Balance
Unit Price	12.3456	Unit Price
Total Cost	1358.02	Total Cost

1. As in the previous examples, the Current Balance and Unit Price prior to the error would need to be determined and all posting would need to stop before proceeding.
2. To correct this error, Organization "B" must make an "IT" entry (Authorization IEXP002, Activity 097, Object 999) to transfer the 15 units of Slag back to Organization "A." However, the Organization "B" unit price has already been affected by the receipt of the material at a different unit price, so their record now looks like this:

Current Balance	268.000
Unit Price	9.7456
Total Cost	2611.82

3. Organization "B" must then make an "IN" entry of 0 units and -38.99 dollars in order to get back to their original Total Cost and Unit Price.
4. Organization "A" needs to adjust their master:
  - a. They must do a Journal Voucher for \$38.99, charged to Authorization IEXP002 097 999 (credit Organization "B," debit Organization "A"). Then, they must issue the transfer correctly.
  - b. If Organization "B" had usaged any of the material after receiving the transfer, the adjustment dollars for the "IN" entry would be changed from this example and would need to be calculated, and Journal Vouchers would be required to correct the overcharges authorizations of the usages.