1-1-1900

Receiving, Storage, Issuing, Inventory

Purdue University Cooperative Extension Service

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4 Evaluating Food Service Establishments: Key Check Points
Receiving, Storage, Issuing, Inventory

The manager of a food service establishment and/or the manager and his supervisor need to take the time to make an overall analysis to determine the results that the organization is actually obtaining. This should be done several times a year. The evaluation should determine how well the food service operation is doing and where improvements should be made. Then some priorities, objectives, methods, and deadlines for improvements can be established.

This is one of a series of pamphlets describing how a person can fairly comprehensively, yet in less than a day, provide an overall evaluation of a food service operation. The key items, or food service conditions, to evaluate under each major category are described. Taken together, the key indicators of general conditions measure the degrees of efficiency (minimal costs) and effectiveness (optimal organizational satisfaction). A major category that has a deficient key indicator should be investigated further, and corrective adjustment should be considered and/or made where appropriate. A discussion of facts by management with the operating personnel is perhaps most needed to develop mutual understanding of the problems. Attainable performance objectives should be jointly established and reviewed at a later date.

If all key indicators are satisfactory in a major category, other aspects of that category are probably being handled with similar care. If all of the key indicators are high, but the profit is not adequate, then it will be necessary to examine the operation for inefficient purchasing and receiving practices, improper menu pricing, inaccurate records or financial statements, inventory method and method of computing the value, production waste, plate waste, security and pilferage, and so forth.

These operational analysis guidelines may be used by the manager of a single food service establishment for self-analysis, or by the unit manager’s supervisor.

1. Management Planning, Organizing, and Controlling (HE-202)
2. Personnel (HE-203)
3. Purchasing (HE-204)
4. Receiving, Storage, Issuing, Inventory (this publication)
5. Food Preparation (HE-206)
6. Food Presentation and Service (HE-207)
7. Maintenance of Building and Equipment (HE-208)
8. Sanitation and Housekeeping (HE-209)
9. Statistical and Ration Analysis (HE-210)
10. Consumer Satisfaction (HE-211)

4. Receiving, Storage, Issuing and Inventory (1 to 15 Points)

It is important to control the functions of receiving, storage, issuing and inventory because of the thousands of dollars of merchandise involved, to maintain the quality level of food, to insure that what was ordered was delivered and that what is needed is available. It may be that your profit dollar is shrinking at your back door—by pilfering of food, by accepting products below specifications, by items being short on count or weight and, most often, by paying for items that did not arrive.

One employee should be trained to verify both quantity and quality of food and supplies received. This employee should have the authority and responsibility for receiving, storage, and issuing. Procedures must be designed to maintain the quality of the product and to minimize the loss of food and supplies through spoilage and theft.

Receiving
Receiving of food and supplies is a process that management must initiate, supervise, and regularly evaluate to insure that the specified food quality and quantity at the quoted price is actually received and stored. The receiver will be only as demanding as he is trained to be.
The receiving function should be assigned to a competent, trustworthy, and trained person.

Careful purchasing, detailed specification and competitive bidding are all wasted if receiving procedures and controls are casual or non-existent. Receiving is more than just signing for the merchandise. The basic elements of a sound receiving system include the following: training of receiving personnel, use of scales and other equipment, and the establishment of a receiving procedure that verifies the quality, size, quantity, and price as specified on the purchase order. The higher the standards of the receiving function, the less chance the operation will be actually shorted (by error or intention) merchandise.

A key procedure in receiving is to check every item delivered against the purchase order. A minimum receiving and verification procedure should include:

- Against the purchase order document, check that every item is delivered, and verify for each item:
  - Count for items purchased by the case, unit or piece.
  - Weight for each item purchased by weight. Each must be weighed, and items purchased by portion size must be checked for both total weight and to verify each portion is within the specified weight range.
  - Quality for conformance to the purchase order and/or the current food specification (grade, variety, type, cut, count, syrup density, drained weight, weight range, depth of fat, etc.). High-cost items such as meat and some fish items may need to be checked for quality by the manager. Some examples of quality identification follows:
    - **Meats**—weight, grade, conformation, finish, amount of fat and trim.
    - **Poultry**—size, weight, grade, and cutting style.
    - **Fish**—size, grade, and weight.
    - **Eggs**—size, grade, and weight.
    - **Fresh Fruits**—maturity, size, shape, grade, ripeness, flavor, appearance, and juice content.
    - **Fresh Vegetables**—color, firmness, size, uniformity, and count.

- Frozen goods should be checked to see that they are not thawed or thawing. Temperature of the product should be below 10°F.

- Quantities and prices listed on the delivery invoice or ticket should be compared with the purchase order.
- Invoice extensions and additions should be checked for accuracy.
- Carefully check each box or carton for possible damage or quality deterioration. Carefully check the contents of wet or smashed cartons, open or torn cartons, cases with an unusual odor, soft or wet cartons of frozen food, etc.
- Procedures need to be established to obtain credits, return merchandise, and to handle discrepancies as discovered.
- Accept the shipment after being fully satisfied with the delivered goods (count, weight, quality, price) and that all corrections are made and verified with the delivery agent. The receiving agent should sign all copies and keep at least one copy. It is very important for the receiving person to understand that his signature is your organization’s formal acknowledgement of receipt of the merchandise and the organization’s obligation to make payment for the merchandise.
- Set specific hours during which goods will be received.

A daily receiving report should note all goods received and any discrepancies on the invoice.

The absence of purchase returns is a key indicator of lax receiving, because it is highly unlikely that all deliveries will be complete and in accordance with specifications.

It is important for management to spot-check the receiving procedure at frequent but regular intervals. Management should recheck weight, quantities, quality, and prices in much the same manner and detail that cash audits are performed.

**Storage**

The primary objective of food storage is to protect the quality of the product, have enough merchandise on hand, and prevent loss through spoilage and theft. Management and employees need to protect the $5,000 worth of merchandise in storage in much the same manner they would protect $5,000 in one-dollar bills. Control over merchandise in storage is established by assigning responsibility to one person, by maintaining proper physical conditions, and by sound material handling procedures. Minimum operating procedures should include the following:
All food should be placed in the appropriate storage areas immediately following inspection in receiving area.

There should be a definite space for each food classification.

All food should be stored in a manner that will facilitate issuing on a "first in-first out" basis. All cartons should be dated and neatly organized—with the oldest goods on top of stock, with the most recently purchased goods on the bottom of stacks. Labels and date-received markings must face right side up and out for identification.

All goods should be stored off of floors so that the floor can be swept and mopped. Stack away from wall in order to provide air circulation and so that walls may be washed regularly. The most frequently used goods should be located near the door or where they can be easily reached. The heavy bulky items should be stored on the bottom and the lighter, smaller items in high places.

Maximum use should be made of vertical space by the use of adjustable shelving so that there is minimal distance between goods and the next shelf.

Cross-stack items in alternating patterns on shelves or racks.

Half-empty cartons should be completely emptied, and any individual items should be carefully stacked on top of unopened cases.

Foods should be organized in refrigerators and freezers to provide air circulation; open containers should be covered; and items should be properly separated to prevent odor and flavor transfers.

Inventory turnover should be planned for a certain number of times per month, usually three to four. The inventory ratio is figured by dividing the average food inventory into the total cost of food sold.

Example: $200,000 = 40 times per year $5,000

Storage areas should be clean and free from vermin—cleaned and sprayed regularly.

Temperature readings should be taken regularly in refrigerated storage areas to minimize the risk of spoilage from mechanical deficiencies. Proper temperatures are:

- Dry Storage: 55-70 F.
- Freezers: 34-38 F.
- Freezers: -10 F.

A relative humidity of 50-60 per cent in the storeroom; 75-85 per cent in the refrigerators for meats, fish, dairy products; and 85-95 per cent for fruits and vegetables is considered satisfactory. Good ventilation provides clean air at the required temperatures and humidity.

Production supervisors should be kept informed about perishable items that should be used promptly.

High spoilage losses indicate poor handling procedures and/or over-buying. Both deserve immediate attention.

**Issuing and Inventory**

Usually, about 40 per cent of food sales will be received and withdrawn from the storage areas. This fact suggests that strong control procedures should be maintained there. Minimal requirements for inventory control are:

- All storage areas (dry, refrigerated, freezers) should be locked when unattended.
- One person should be well trained in receiving duties and should be held accountable for any inventory discrepancies.
- No food or supplies should leave the storage areas without authorized written requisitions.
- Only the quantity of food supplies required for preparation should be issued.
- Physical inventories should be performed on a regular basis.
- Unannounced inventories or spot checks should be performed periodically.

A reconciliation statement of the storeroom physical inventory should be prepared at the end of each month to determine the effectiveness of physical control and security. This is usually prepared on a dollar basis rather than by individual item, as follows:

<table>
<thead>
<tr>
<th>Opening Inventory: Physical</th>
<th>$2,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plus: Purchases for Storeroom</td>
<td>2,500.00</td>
</tr>
<tr>
<td>Less: Issues from Storeroom</td>
<td>2,300.00</td>
</tr>
<tr>
<td>Total Food Available</td>
<td>$4,500.00</td>
</tr>
<tr>
<td>Total Value of Food That Should Be on Hand</td>
<td>$2,200.00</td>
</tr>
<tr>
<td>Closing Inventory: Physical</td>
<td>2,100.00</td>
</tr>
<tr>
<td>Overage (Shortage)</td>
<td>($ 100.00)</td>
</tr>
</tbody>
</table>

When the overage or shortage is more than 2 percent of the total value of food that should be on hand, the inventory should be taken again, security investigated, and accuracy of
receiving, issuing, and transactions reviewed. In this example:

\[
\frac{\$ 100}{\$ 2,200} = 4.5\%
\]

This indicates slippage that needs immediate corrective action.

It is advisable to maintain a perpetual inventory control over the high-cost and/or high-volume meat items. This may be done on an item basis (such as the number of pounds, pieces, or portions), using the same procedures as in the dollar value reconciliation.

**Summary and Conclusion**

What are the procedures for receiving food and supplies? Foods should be checked for weight, count, quality, price, and for what was ordered. Extensions on the delivery ticket need to be checked. Does management schedule unannounced spot-checks at the receiving area to insure that established receiving procedures are followed?

Are foods stored immediately after receipt, stored in the proper place, at the correct temperature, and properly rotated? A particular individual should be responsible for the merchandise in the storage area and see that the storage areas are properly secured.

Are goods only issued by proper authorization and for the quantity of material required for preparation?

Are all storage areas locked when unattended?

**References**


**Other Publications, Catalogs, Correspondence Courses**

National Restaurant Association
One IBM Plaza, Suite 2600
Chicago, Illinois 60611

Educational Institute of the
American Hotel and Motel Association
Stephen S. Nisbet Building
1407 South Harrison Road;
East Lansing, Michigan 48823

National Institute for the Food Service Industry
120 South Riverside Plaza
Chicago, Illinois 60606

Cahners Books International, Inc.
221 Columbus Avenue
Boston, Massachusetts 02116

Small Business Administration, 575 North Pennsylvania Street,
Indianapolis, Indiana 46204, has the following management assistance series covering a wide variety of topics:

- Management Aids (Free)
- Small Marketers Aids (Free)
- Small Business Bibliographies (Free)
- Small Business Management Series Booklets
- Starting and Managing Series
- Small Business Research Series

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