NH | HOTEL GROUP

Process: Inventory Control

Subprocess: Physical Inventory execution

Process Owner: Ramón Luengo   **Process Leader: Ramón Luengo**

Author	Jorge Rey
Date	
Last modification date	
Document version	

NH Approvals

Name	Function	Date	Comments
Ramón Luengo	Process Owner		
Ramón Luengo	Process Leader		

Modification History

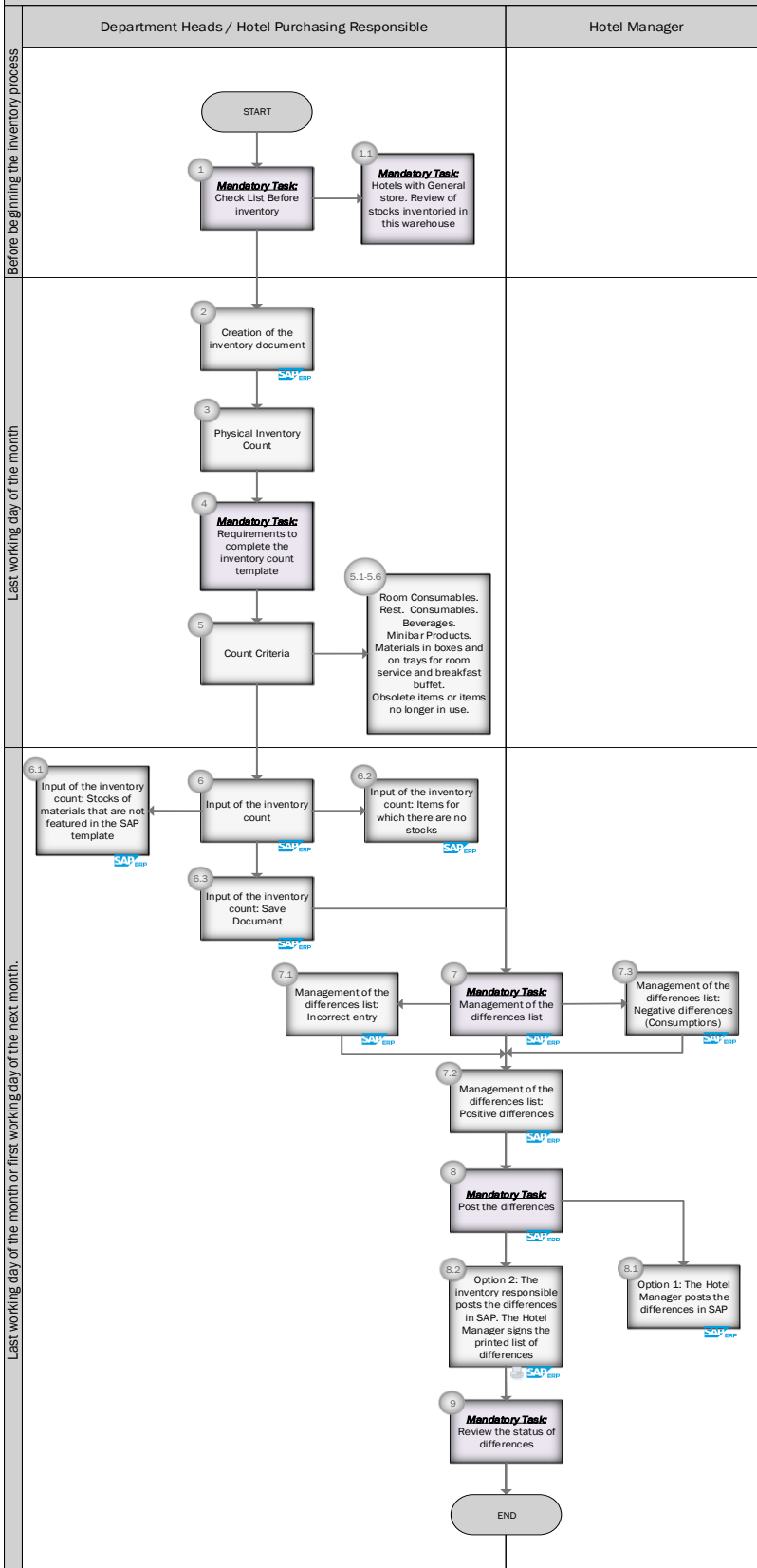| Document Version	Date	Modified by	Comments
Draft	01.09.2017		
Versión 0.1	25.09.2017		

Process: Inventory Control

Subprocess: Physical Inventory execution

Process Owner: Ramón Luengo   **Proces Leader: Ramón Luengo**

Physical Inventory execution

	Department Heads / Hotel Purchasing Responsible	Hotel Manager

Before beginning the inventory process

START

1
Mandatory Task:
Check List Before inventory

1.1
Mandatory Task:
Hotels with General store. Review of stocks inventoried in this warehouse

Last working day of the month

2
Creation of the inventory document
SAP ERP

3
Physical Inventory Count

4
Mandatory Task:
Requirements to complete the inventory count template

5.1-5.6
Room Consumables. Rest. Consumables. Beverages. Minibar Products. Materials in boxes and on trays for room service and breakfast buffet. Obsolete items or items no longer in use.

5
Count Criteria

Last working day of the month or first working day of the next month.

6.1
Input of the inventory count: Stocks of materials that are not featured in the SAP template
SAP ERP

6
Input of the inventory count
SAP ERP

6.2
Input of the inventory count: Items for which there are no stocks
SAP ERP

6.3
Input of the inventory count: Save Document
SAP ERP

7.1
Management of the differences list: Incorrect entry
SAP ERP

7
Mandatory Task:
Management of the differences list
SAP ERP

7.3
Management of the differences list: Negative differences (Consumptions)
SAP ERP

7.2
Management of the differences list: Positive differences
SAP ERP

8
Mandatory Task:
Post the differences
SAP ERP

8.2
Option 2: The inventory responsible posts the differences in SAP. The Hotel Manager signs the printed list of differences
SAP ERP

8.1
Option 1: The Hotel Manager posts the differences in SAP
SAP ERP

9
Mandatory Task:
Review the status of differences

END

Shape	Name	Description
	Task	Represents a manual activity of the process.
	Automatic Task	Represents an automatic activity of the process.
→	Flow direction	Input or output of the task or decision.
Internal Audit Control	Internal Audit Control	Controls defined by NH Internal Audit
	Systems	Applicatio or Tool.
	Start/End	Indicates the beginning or the end of a process.
	Manual Process	Manual Business process composed of tasks, decisions, flow directions, documents and measured on a
◇	Decision point	It is originated after one task and it generates two or another decision.
	Report or document	It is a physical or electronic file used as input or output of a task.
SAP ERP	Notifications	External/Internal Notifications.

Process: Inventory Control						
Subprocess: Physical Inventory execution						
Process Owner: Ramón Luengo				**Process Leader:** Ramón Luengo		

Order	Task	Task Description	When	Responsible	Frequency	Tools
0	Purpose of the procedure	The following procedure regulates the physical inventory execution and its registration in the system in order to calculate monthly consumptions of counted materials.	Last working days of the current month and first working day of the following month	Hotel Manager / Department Heads / Hotel Purchasing Responsible/s	Monthly	Sap MM_Inventory
1	**Mandatory Task:** **Check list before inventory**	*Mandatory Task:* **Before beginning the inventory process, the hotel purchasing responsible must check that all of the monthly movements have been properly recorded, specifically verifying:** - That the orders for all purchases of inventoriable materials received, have been introduced into the system. - That none of the merchandise delivered or services provided at the hotel are pending to be registered in the system. In the case of orders with pending goods receipt, which the user can assure will no longer be received, they should be verified and eliminated, where applicable. - That there are no transfers between warehouses pending processing.	Before beginning the inventory process	Hotel Purchasing Responsible/s / Department Heads	Monthly	Transaction SAP: ME2L - Purchasing Documents per vendor / Selection Parameter: WE101
1.1	**Mandatory Task:** **Check list before inventory: Hotels with general store**	*Mandatory Task:* **For hotels with a General Warehouse,** In addition to the tasks indicated in task 1, the user responsible will generate, once a month, a list of stocks inventoried in this warehouse (Transaction *MB52- List of warehouse stocks on hand*) and will check that the physical stocks of the general warehouse are those shown in the system. In case of differences, they will be noted in the list and regularized through the transaction */CCSHT/IM_ASSISTANT – TMSforMM- Inventory manag assistant* : - If stocks in SAP are greater than physical stocks the differences should be input under option *06 "Goods issue"* . - If stocks in SAP are lower than physical stocks the differences should be input under option *10 "Initial stock entry"* . The *MB52- "List of warehouse stocks on hand"* has to be signed by the Inventory Responsible and we also recommend having it signed by Management. This document should be archived monthly and kept for 18 months as indicated in: *SAP-TMS_SAP-MM_ Templates and File Periods.*	Before beginning the inventory process	General Warehouse Responsible	Monthly	Transaction MB52- List of warehouse stocks on hand / /CCSHT/IM_ASSISTANT – TMSforMM- Inventory manag assistant. Operation 06 or 10. SAP-TMS_SAP-MM_ Templates and File Periods
2	Creation of the inventory document	To perform the inventory process, the warehouse/s responsible/s has to generate a system inventory document *(Transaction SAP: ZMM_MI31 - Generate Inventory Document*) for each of the hotel's warehouses. The main inventory process steps will be based on this document: 1.- Supports the physical inventory count. 2.- Is the tool to introduce in the system the counted stock of each material. 3.- Calculates and shows by item the stock differences that the user must accept/reject.	Last working day of the current month	Hotel Purchasing Responsible/s / Department Heads	Monthly	Transaction SAP: ZMM_MI31 - Generate Inventory Document
2.1	Warehouses available for inventory	See in Annex 1 the list of possible warehouses and its cost center that are able to perform the inventory process.	N/A	N/A	N/A	N/A
3	Physical inventory count	*Important:* **The Department Heads, of the different consumable warehouses at the hotel, are responsible of the physical inventory counts and the record of the results in the count templates at the end of the month.** During the physical stock count, the user has to make sure that inventoried items are only counted once and there are no movements of stocks (inputs or outputs) in the warehouse, during the process. Using the blind inventory document generated by SAP, each responsible party should proceed to perform the physical inventory count across the hotel's storage areas. This document must serve as back-up for the count.	Last working day of the current month	Department Heads	Monthly	Inventory count document
3.1	**Best Practice:** **Physical inventory count**	*Best Practice:* To avoid counting errors and speed up the task, it is recommended that two people carry out the stock count. One person should count or weigh the goods and the other should write down the corresponding amounts on the template.	Last working day of the current month	Department Heads	Monthly	Inventory count document

4	**Mandatory Task:** **Requirements to complete the inventory count template**	***Mandatory Task:*** **The monthly inventory count documents must be completed using the following criteria:** - They must be filled out in indelible pencil. - The document must not feature crossings-out or rubbings-out. - They should not feature sums of amounts without presenting the total quantity of the related material. - They should be filled out using the same unit of measurement as is indicated in the inventory document. If the user finds different measurement formats or units, he must notify the Head Buyer so that he or she can add the new article or modify its description if it is possible. - All pages in the templates should be signed by the person responsible for the corresponding warehouse count. We also recommend having it signed by Management. - It should state the date on which the actual count took place.	Last working day of the current month	Department Heads	Monthly	Inventory count document
4.1	**Mandatory Task:** **Requirements to complete the inventory count template**	***Mandatory Task:*** The Manager and/or Head Buyer must verify the counts performed by the Department Heads in the warehouses by means of sampling, leaving a record of the verifications performed (on the same inventory count document) and signing it.	Last working day of the current month	Hotel Manager / Hotel Purchasing Responsible/s	Monthly	Inventory count document
5	Count criteria	In order to unify criteria when it comes to physical counts, and therefore correctly analyse the information gained, the following guidelines are established:	Last working day of the current month	Department Heads	Monthly	Inventory count document
5.1	Count criteria: Room Consumables	**Room consumables:** In addition to the materials stored in the general or subwarehouses (such as offices or floor-level stock rooms, etc.), the inventory count should include the materials stored on trolleys and similar items. Simply multiply the initial provision for each item by the number of trolleys or similar items in use at the hotel.	Last working day of the current month	Department Heads	Monthly	Inventory count document
5.2	Count Criteria: Restaurant consumables	**Restaurant consumables:** (paper napkins, coasters, straws, cocktail mixers, etc.): in this case, the stock count should only consider the material stored in the general warehouse and subwarehouses and should not count the materials delivered to the different points of sale (bars, restaurants, etc.).	Last working day of the current month	Department Heads	Monthly	Inventory count document
5.3	Count Criteria: Beverages	**Beverages:** in addition, to full and closed bottles, the user should count open bottles (wine and other alcoholic beverages) as 1 or 0. - If the amount remaining is less than half a bottle, it shall not be counted (0). - If the amount is more than half a bottle, it should be counted as one unit (1). Open bottles (such as bottles of wine and other alcoholic beverages) should never be kept in storage areas. They must always be kept at the points of sale.	Last working day of the current month	Department Heads	Monthly	Inventory count document
5.4	Count criteria: Mini-Bar products	**Mini-bar products:** in addition to the items stored in the warehouses, the inventory count should factor the products located in the mini-bars in. Simply multiply the initial provision for each item by the number of available guest mini-bars.	Last working day of the current month	Department Heads	Monthly	Inventory count document
5.5	Count criteria: Materials in boxes and on trays for room service and breakfast buffet	**Materials in boxes and on trays for room service and breakfast buffet:** none of the materials available for room service or breakfast buffet use (mise en place) should be counted; these should be considered already consumed.	Last working day of the current month	Department Heads	Monthly	Inventory count document
5.6	Count Criteria: Obsolete items or items no longer in use	**Obsolete items or items no longer in use:** If items past their use-by date, obsolete items or items no longer in use, are detected, these materials must be written off by the transaction: */ CCSHT / IM_ASSISTANT - TMSforMM- Inventory manag assistant / 06 Goods Issue*. This must be done either before starting the inventory process or after the inventory process is closed (regardless of the scope for reselling or transferring them to another Company or third-party center later, through the remuneration that is considered opportune).	Last working day of the current month	Department Heads	Monthly	Inventory count document
6	Input of the inventory count	Once the physical count in the warehouse is carried out, the user has to introduce in SAP the quantities that have been written down during the counting. This data will be introduced in */CCSHT/IM_ASSISTANT – TMSforMM "Inventory Management Assistant"* in the operation *"05 - Inventory Count"* so that the same items and quantities that we have in the warehouses are reflected to SAP. **In specific situations, the user should proceed as follows (Tasks 6.1 - 6.2):**	Last working day of the current month or first working day of the next month	Hotel Purchasing Responsible/s / Department Heads	Monthly	Inventory count document / Transaction SAP: /CCSHT/IM_ASSISTANT – TMSforMM - Inventory Management Assistant - 05 - Inventory Count

6.1	Input of the inventory count: Stocks of materials that are not featured in the SAP inventory document	If the user finds stocks of materials that are not featured in the SAP inventory document, The user must make the entry of this material in the system, through the transaction: */ CCSHT / IM_ASSISTANT - TMSforMM- Inventory manag assistant / 10 Initial Stock Entry* . In order to make an initial stock entry, it is necessary that the material has had entry or movements in the warehouse during the last month. If not, the user can contact the BU Procurement Department. If the material has never been registered in SAP, it will not be possible to make the entry.	Last working day of the current month or first working day of the next month	Department Heads / Hotel Purchasing Responsible/s / BU Procurement Department	Monthly	Inventory count document / Transaction SAP: /CCSHT/IM_ASSISTANT – TMSforMM - Inventory Management Assistant - 10 - Initial Stock Entry
6.2	Input of the inventory count: Items for which there are no stocks	If, at the time of inputting the physical count into the system, there is an item for which there is no stock, it should be assumed that this item has been 100% consumed. Since there is not any stock available of this article, and we consider that all the stocks have been consumed, just select the lines in which we do not have stock and mark the field *"Delivery Completed"* . In those hotels where inventoriable articles must be allocated to expense at the end of the month and do not have to perform a physical count but do have to comply with the inventory procedure, input *"Delivery Completed"* for each one.	Last working day of the current month or first working day of the next month	Hotel Purchasing Responsible/s / Department Heads	Monthly	Inventory count document / Transaction SAP: /CCSHT/IM_ASSISTANT – TMSforMM - Inventory Management Assistant - 05 - Inventory Count
6.3	Input of the inventory count: Save Document	Once all quantities have been entered into the system, the user must post them in order to be registered in the system.	Last working day of the current month or first working day of the next month	Hotel Purchasing Responsible/s / Department Heads	Monthly	Transaction SAP: /CCSHT/IM_ASSISTANT – TMSforMM - Inventory Management Assistant - Inventory Count - Save Document
7	**Mandatory Task: Management of the differences list**	*Mandatory Task:* Once the registration of the current quantities in the warehouse is done in the system and before posting the differences, the responsible has to execute the transaction *MI24 - "Physical Inventory List"* and introduce the inventory document number to check the consumed quantities of each item, verifying that the data is correct, that there are no errors or inconsistencies and paying special attention to the negative differences (consumptions) and positive differences.	Last working day of the current month or first working day of the next month	Hotel Manager / Department Heads / Hotel Purchasing Responsible/s	Monthly	Inventory count document / Transaction SAP: MI24 - Physical Inventory List
7.1	Management of the differences list: Incorrect entry	If, when checking the data, the user observes that there is an incorrect count entry, the user have to select the wrong line and click on *"Change count"* , in order to modify the quantity.	Last working day of the current month or first working day of the next month	Hotel Manager / Department Heads / Hotel Purchasing Responsible/s	Monthly	Inventory count document / Transaction SAP: MI24 - Physical Inventory List - Change count
7.2	Management of the differences list: Positive differences	Positive Differences: Positive differences indicate that the stocks recorded in the system before the count is performed are lower than those identified during the physical count. These movements are the result of errors or omissions in the recording of movements in SAP, specifically incorrect counts in prior periods for which the errors materialize when next taking inventory; they may also derive from errors in the introduction of delivery notes and / or stock transfers. To detect these consumptions, it is highly recommended, in the *"Pos. Diff"* column of the differences list, sort the data in descending order. In the event of finding positive differences, the user has to reconfirm that his physical count is correct: - if it is so none count update has to be registered, the difference must be processed with the inventory; The user never must amend the amounts with the sole aim of eliminating positive differences. - If the physical count is incorrect, the user has to modify the inventory count (*"Change count"*) in order to manually change the amount incorrectly introduced for the correct figure.	Last working day of the current month or first working day of the next month	Hotel Manager / Department Heads / Hotel Purchasing Responsible/s	Monthly	Inventory count document / Transaction SAP: MI24 - Physical Inventory List - Change Count
7.3	Management of the differences list: Negative differences	Negative Differences: These movements show the consumption figures of the hotel. The user must check excessive or not justified consumptions in order to detect possible errors or inconsistencies in the process. To detect these consumptions, it is highly recommended, in the *"Neg. Diff"* column of the differences list, sort the data in ascending order.	Last working day of the current month or first working day of the next month	Hotel Manager / Department Heads / Hotel Purchasing Responsible/s	Monthly	Inventory count document / Transaction SAP: MI24 - Physical Inventory List - Change Count
8	**Mandatory Task: Post the differences**	*Mandatory Task:* After verifying that the data registered in the list of differences is correct, the document will be posted in the transaction *MI24 - Physical Inventory List - Post Difference.*	Last working day of the current month or first working day of the next month	Hotel Manager / Department Heads / Hotel Purchasing Responsible/s	Monthly	Inventory count document / Transaction SAP: MI24 - Physical Inventory List - Post Difference

8.1	Post the differences: **Option 1**: General Manager	The hotel manager will be ultimately responsible for the consumption figures of the hotel and should pay special attention to excessive consumptions or that considers not justified by the operation. For this reason, it is highly recommended that he/she must review (see tasks 7.1 and 7.2) and then approve the inventory differences, by posting them through transaction *MI24 - Physical Inventory List - Post Difference* .	Last working day of the current month or first working day of the next month	Hotel Manager	Monthly	Inventory count document / Transaction SAP: MI24 - Physical Inventory List - Post Difference
8.2	Post the differences: **Option 2**: Responsible of inventory process	Once reviewed the list of differences (Tasks 7.1 and 7.2), the Hotel Manager may delegate the posting of the differences to the user/s responsible for the inventory process (Department Heads / Hotel Purchasing Responsible/s). In this case the responsible user, in addition to posting the inventory differences in SAP, has to: 1.- Print the SAP list of inventory differences. 2.-~~This list will be signed by the hotel manager in accordance with the figures.~~ 3.-This document should be archived monthly and kept for 18 months.	Last working day of the current month or first working day of the next month	Hotel Manager / Department Heads / Hotel Purchasing Responsible/s	Monthly	Inventory count document / Transaction SAP: MI24 - Physical Inventory List - Post Difference
9	**Mandatory Task: Review the status of differences**	**Mandatory Task:** Once the inventory process is finished, in the list of differences should be checked that all positions of all inventory count documents that were used in the count of the month are shown in "counted, adjusted" status. In case of finding a position in "not counted" status, this position must be marked and counted or modified as appropriate.	Last working day of the current month or first working day of the next month	Hotel Manager / Hotel Purchasing Responsible/s / Department Heads	Monthly	Inventory count document / Transaction SAP: MI24 - Physical Inventory List
10	Documentation file	All documentation associated with the inventory process: - Inventory count documents. - List of inventory differences signed by the Hotel Manager (Option 2, Task 8.2) - Report *MB52-List of warehouse stocks on hand* , in the case of hotels with general store. It should be archived based on the criteria indicated in *SAP-TMS_SAP-MM_ Templates and File Periods.*	After the inventory process is complete	Hotel Manager / Hotel Purchasing Responsible/s / Department Heads	Monthly	SAP-TMS_SAP-MM Templates and File Periods

nh | HOTEL GROUP

Process: Inventory Control

Subprocess: Physical Inventory execution

Process Owner: Ramón Luengo   **Process Leader:** Ramón Luengo

Annex 1 - Warehouses available for inventory

WH SAP	Description	CECO	CECO CODE
1001	KITCHEN	KITCHEN	11
2001	RESTAURANT	HALL	11
3001	BAR	HALL	11
4001	MAINTENANCE	MAINTENANCE HOTEL	PM
5001	MINIBAR	HALL	11
6001	HOUSEKEEPING	HOUSEKEEPING ROOMS	2
7001	BANQUETING	BANQUETING	80
8001	FRONT OFFICE	FRONT OFFICE HOTEL	1
9001	SPA	SPA HOTEL 2	90
9101	GOLF	GOLF HOTEL 2	91
9201	LAUNDRY	HOUSEKEEPING ROOMS	2
9301	KITCHEN EXTERNAL RESTAURANT	KITCHEN EXTERNAL RESTAURANT	20
9401	EXTERNAL RESTAURANT	HALL EXTERNAL RESTAURANT	21
9501	STEWARDING EXTERNAL RESTAURANT	STEWARDING EXTERNAL RESTAURANT	22
9302	KITCHEN EXTERNAL RESTAURANT 2	KITCHEN EXTERNAL RESTAURANT	30
9402	EXTERNAL RESTAURANT 2	HALL EXTERNAL RESTAURANT	31
9502	STEWARDING EXTERNAL RESTAURANT 2	STEWARDING EXTERNAL RESTAURANT	32
9901	TIENDA	OTHER INCOME HOTEL 2	99
9991	ADMINISTRATION	ADMINISTRATION	AD
9992	OPERATIONS	CONTROL OF OPERATIONS HOTEL	OP
9993	SALES	SALES HOTEL	SA
9994	IT	IT	IT