STANDARD OPERATING PROCEDURE

Inventory Management SOP

Document no.	SOP-WHS-002
Revision	1.0
Owner	Inventory Control Manager
Effective date	September 15, 2026
Review cycle	Every 12 months

1. Purpose

To keep recorded inventory levels accurate and reliable so purchasing, fulfillment and finance can trust the numbers in the warehouse management system.

2. Scope

Applies to all stock-keeping units held in the warehouse, including raw materials, finished goods and packaging. Cycle counting procedures and receiving procedures are covered by separate SOPs.

Definitions

SKU	Stock-keeping unit, a unique code identifying one item, size or variant in inventory.
Reorder point	The inventory level at which a new purchase order should be triggered to avoid running out before the next delivery arrives.
Inventory adjustment	A manual correction to the recorded quantity of a SKU to match a verified physical count.
Shrinkage	Inventory loss from theft, damage, spoilage or administrative error that is not explained by a recorded transaction.

3. Responsibilities

Inventory Clerk	Records transactions, investigates variances and submits adjustment requests for approval.
Inventory Control Manager	Approves adjustments, sets reorder points and safety stock, and owns overall inventory accuracy.
Warehouse Supervisor	Coordinates staff for physical counts and enforces stock handling procedures on the floor.
Finance Analyst	Reviews inventory valuation, approves write-offs above the authorization threshold, and reconciles the general ledger.

RACI matrix

Activity	Inventory Clerk	Inventory Control Manager	Warehouse Supervisor	Finance Analyst
Set reorder points and safety stock	C	R/A	I	C
Record daily stock transactions	R	A	I	-

Activity	Inventory Clerk	Inventory Control Manager	Warehouse Supervisor	Finance Analyst
Investigate a stock variance	R	A	C	I
Approve inventory adjustment	I	R/A	-	C
Approve write-off above threshold	I	R	-	A

R = Responsible, A = Accountable, C = Consulted, I = Informed

4. Materials and PPE

Materials, tools and systems

- WMS or inventory management software
- Barcode scanner
- Inventory adjustment request form
- Reorder point and safety stock worksheet
- Item master list with unit of measure
- Variance investigation log

5. Procedure

Step	Task	Owner	Done
5.1	**Maintain the item master** Keep each SKU's item master record current, including description, unit of measure, barcode, unit cost and storage location, and archive discontinued SKUs instead of deleting them.	Inventory Clerk	☐
5.2	**Set reorder points and safety stock** Review sales or usage history each quarter and set the reorder point and safety stock for each active SKU based on lead time and demand variability.	Inventory Control Manager	☐
5.3	**Record every stock movement** Scan or enter every receipt, pick, transfer and return in the WMS at the time it happens so the system quantity always reflects the physical quantity. **Warning:** Never move stock between locations without scanning the transaction; unrecorded moves are the most common cause of inventory variance.	Inventory Clerk	☐
5.4	**Monitor reorder alerts** Review the WMS reorder report daily and flag any SKU below its reorder point to purchasing, noting open purchase orders already in transit. **Checkpoint:** Every SKU below its reorder point has either an open purchase order or a documented reason it was skipped.	Inventory Clerk	☐
5.5	**Investigate a reported variance** When a pick, count or audit reports a variance, check recent transactions, nearby locations and open orders for the SKU before concluding stock is actually missing.	Inventory Clerk	☐
5.6	**Document the adjustment request** Complete an inventory adjustment request with the SKU, location, system quantity, counted quantity, likely cause and supporting evidence such as a photo or transaction history.	Inventory Clerk	☐

Step	Task	Owner	Done
5.7	**Approve or reject the adjustment** Review the adjustment request and either approve it, send it back for further investigation, or escalate to finance if the value exceeds the authorization threshold. **Checkpoint:** No inventory adjustment is posted to the WMS without a named approver on the request.	Inventory Control Manager	☐
5.8	**Post the approved adjustment** Enter the approved adjustment in the WMS with the reason code and approver name, and file the signed request in the adjustment log.	Inventory Clerk	☐
5.9	**Review slow-moving and excess stock** Run a slow-moving inventory report monthly, flag SKUs with no movement beyond your target period, and recommend markdowns, returns to vendor or write-offs.	Inventory Control Manager	☐
5.10	**Reconcile shrinkage trends** Summarize adjustment reason codes each month, calculate shrinkage as a percentage of inventory value, and compare it against prior periods and target thresholds.	Inventory Control Manager	☐
5.11	**Approve write-offs with finance** Send adjustments above the authorization threshold to finance with supporting documentation for review and sign-off before they are posted to the general ledger.	Finance Analyst	☐
5.12	**Report inventory accuracy** Publish a monthly inventory accuracy and shrinkage report to warehouse and finance leadership, including trends and any corrective actions in progress.	Inventory Control Manager	☐

6. Quality checks

- No inventory adjustment is posted without a named approver and reason code.
- Reorder alerts are reviewed and actioned every business day.
- Monthly shrinkage percentage is compared against the target threshold.
- Item master records are reviewed quarterly for outdated units of measure or locations.

7. Records

- Inventory adjustment requests and approvals
- Reorder point and safety stock worksheet
- Variance investigation log
- Monthly inventory accuracy and shrinkage report

8. KPIs

- Inventory accuracy rate against physical counts
- Shrinkage as a percentage of inventory value
- Number of stockouts per month
- Average age of slow-moving inventory

9. Common mistakes

- Posting an adjustment without investigating the root cause first.
- Letting reorder alerts pile up unreviewed for several days.

- Moving stock between bins without scanning the transfer.
- Treating every variance as theft instead of checking for transaction errors first.

10. Revision history

Revision	Date	Description	Reviewed by
1.0	September 15, 2026	Initial release	Ilia Pirozhenko

Approval

Prepared by	Approved by	Date

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