Inventory Vendor Managed Inventory (VMI) Audit Procedure

1.0 Objective & Scope

The objective of this procedure is to ensure that all Vendor Managed Inventory (VMI) stock held on consignment is accurately recorded in the WMS, physically present in the designated VMI bins, and compliant with the terms of the vendor agreement. This SOP aims to maintain a minimum 99% inventory accuracy for VMI items, prevent stockouts of critical vendor-supplied materials, and identify discrepancies or unauthorized consumption before they impact production or fulfillment.

This procedure applies to all Inventory Clerks, Receivers, and Shift Supervisors responsible for auditing VMI locations. It covers the physical count of VMI items, reconciliation against the vendor's reported inventory levels, and the escalation process for discrepancies. This SOP does not cover standard owned inventory cycle counts or inbound receiving of VMI shipments.

2.0 Required Systems, Tools & Materials

- Access to the SupplyGrid WMS Dashboard with VMI module enabled
- Mobile barcode scanner (Zebra TC21 or equivalent) with VMI audit application
- Vendor-provided inventory report (CSV or PDF) for the audit period
- Clipboard, pen, and pre-printed VMI audit tally sheets (backup for scanner failure)
- Red 'Quarantine' tags and yellow 'Hold for Vendor Review' tags
- Pallet jack or forklift (if VMI bins are on racking above floor level)
- Personal protective equipment (PPE) as per Section 3.0

3.0 Safety & Handling Precautions

- High-visibility safety vest must be worn at all times in active warehouse aisles.
- Steel-toed safety boots are mandatory when handling pallets or operating material handling equipment.
- Use proper ergonomic lifting techniques when handling boxes weighing over 15 kg; request assistance or use a lift aid.
- Forklift operators must hold a valid forklift license and perform a pre-operational safety check before use.
- Do not climb racks or use pallets as step stools; use an approved ladder or order picker for high bins.
- Ensure all VMI bins are clearly marked and free of debris or obstructions before starting the audit.

4.0 Step-by-Step Procedure

1. Log into the SupplyGrid WMS Dashboard and navigate to the VMI Audit module. Select the audit type 'Full Physical Count' or 'Spot Check' as directed by the Inventory Manager.
2. Print or download the vendor's current inventory report for the VMI items to be audited. Verify the report date and ensure it covers the period since the last audit.
3. Proceed to the first VMI bin location. Use the mobile scanner to scan the bin location barcode. Confirm the bin label matches the location in the WMS.

4. Physically count each SKU in the bin. For full pallets, scan the pallet label and record the quantity. For loose items, count individually and enter the quantity into the scanner. Do not rely on the vendor's reported quantity.

5. If the bin contains multiple SKUs, scan each SKU barcode separately and record the physical count for each. Ensure no items are hidden behind other stock or in unlabeled packaging.

6. Compare the physical count to the WMS system quantity displayed on the scanner. If the counts match (within a 1% tolerance), mark the bin as 'Audited' and move to the next location.

7. If a discrepancy is found (physical count differs from system count by more than 1%), re-count the bin immediately to confirm. If the discrepancy persists, attach a yellow 'Hold for Vendor Review' tag to the bin and note the variance on the tally sheet.

8. For any damaged, expired, or non-conforming VMI stock, attach a red 'Quarantine' tag and move the items to the designated VMI quarantine area. Update the WMS with a 'Quarantine' status for those units.

9. Repeat steps 3 through 8 for all VMI bin locations assigned in the audit. Ensure no bins are skipped or double-counted.

10. Once all bins are audited, close the audit session in the WMS. The system will generate a preliminary variance report. Export this report as a PDF for record-keeping.

5.0 Verification & Discrepancy Reporting

1. Compare the final WMS audit report against the vendor's inventory report. Highlight any items where the physical count differs from the vendor's reported quantity by more than 2%.

2. For each discrepancy, document the SKU, bin location, physical count, WMS count, vendor count, and any notes on condition or damage. Attach photos if applicable.

3. Escalate all discrepancies exceeding 2% variance to the Inventory Manager within 1 business day. Provide the discrepancy report and any supporting documentation.

4. If the discrepancy involves damaged or expired stock, notify the vendor immediately via email with a copy to the Procurement team. Include the quarantine tag number and expected resolution timeline.

5. The Inventory Manager will review the discrepancy and, if necessary, schedule a joint count with the vendor representative. No adjustments to the WMS or vendor records shall be made without written approval from the Inventory Manager.

6. After resolution, update the WMS with the final agreed-upon quantities and remove any hold or quarantine tags. Archive the audit report and all correspondence in the shared VMI audit folder.