Returned Goods RMA Processing and Quarantine Protocol

1.0 Objective & Intent

This policy establishes a standardized, auditable process for handling all returned goods from customers, including defective, damaged, or incorrect products, to minimize financial loss, protect cash flow through timely credit issuance, reduce liability from improperly handled returns, and ensure compliance with Canadian consumer protection laws. By enforcing a strict RMA (Return Merchandise Authorization) workflow and quarantine protocol, the company mitigates the risk of re-shipping non-conforming inventory, prevents unauthorized returns from entering stock, and maintains accurate inventory valuation. This directly impacts working capital by reducing write-offs and improving the accuracy of accounts receivable adjustments.

2.0 Operational Scope

This policy applies to all departments involved in the return lifecycle: Customer Service (initial intake and RMA issuance), Shipping/Receiving (physical receipt and quarantine placement), Quality Control (inspection and disposition), Inventory Management (stock adjustments), and Accounting (credit memo processing). It covers all returned goods including finished cabinets, millwork components, hardware, and accessories, whether from direct customers, dealers, or distributors. It does not cover warranty replacements processed through a separate warranty workflow unless the replacement itself is returned.

3.0 Compliance & Data Security

All RMA records must be maintained in the ERP system with full audit trails, including timestamps, user IDs, and reason codes. Personal information of customers (names, addresses, contact details) collected during the RMA process must be handled in accordance with PIPEDA (Personal Information Protection and Electronic Documents Act) – stored securely, accessed only on a need-to-know basis, and retained no longer than seven years after the fiscal year-end of the transaction. Financial internal controls require that no credit memo be issued without a corresponding RMA number and a completed inspection report signed by Quality Control. Physical quarantine areas must be locked and access restricted to authorized personnel only. All data transfers related to returns must use encrypted communication channels.

4.0 Required Software & Administrative Tools

- ERP System (e.g., Microsoft Dynamics 365 Business Central, Sage 100, or Acumatica) with RMA module enabled
- Inventory Management module within ERP for quarantine location setup
- Document management system (e.g., SharePoint or Google Drive) for storing signed inspection reports
- Email system with RMA-specific templates
- Barcode scanner and label printer for generating quarantine tags
- Accounting software (e.g., QuickBooks Online or Xero) for credit memo processing (if separate from ERP)

5.0 Step-by-Step Administrative Workflow

1. Customer Service receives a return request via phone, email, or portal; validates customer account and order details within 1 business hour.
2. Customer Service creates an RMA record in the ERP system, assigning a unique RMA number, selecting the appropriate reason code (defective, damaged, incorrect, overstock), and entering the estimated quantity and value. Approval threshold: RMAs with total value over $500 require manager approval before issuance.
3. Customer Service emails the RMA authorization to the customer with return shipping instructions, including the RMA number to be clearly marked on the outside of the package. The customer must ship the goods within 10 calendar days; otherwise, the RMA is auto-cancelled.
4. Shipping/Receiving receives the returned goods, verifies the RMA number on the package, and inspects the package for visible damage. Within 2 business hours of receipt, the goods are moved to the designated quarantine area (location code 'QUARANTINE' in ERP) and a quarantine tag is printed and affixed to each item.
5. Shipping/Receiving updates the ERP system with the received quantity and date, changing the RMA status to 'Received – In Quarantine'.
6. Quality Control inspects all quarantined items within 24 business hours of receipt, documenting findings on a standard inspection form (including photos if damage is claimed). The inspector assigns a disposition: 'Return to Stock' (if no defect), 'Repair/Refurbish', 'Scrap/Dispose', or 'Return to Vendor' (if supplier defect).
7. Quality Control signs the inspection report and uploads it to the document management system, then updates the RMA record in ERP with the disposition and any notes.
8. Inventory Management moves the items from quarantine to the appropriate location based on disposition (e.g., 'Finished Goods' for return to stock, 'Repair Bay' for repair, 'Scrap' for disposal) within 1 business day of inspection completion.
9. Accounting reviews the completed RMA record and signed inspection report, then issues a credit memo to the customer within 5 business days of disposition. Credit memos over $2,000 require additional approval from the Controller.
10. Customer Service notifies the customer of the credit issuance or, if the return is rejected (e.g., unauthorized return), communicates the rejection and arranges for the customer to pick up the goods within 30 days, after which the items are scrapped.