

**Federal Property Management Regulations**

**§ 101-27.406**

item for which there are current or future requirements, but the frequency and quantity of such requirements do not make it economical to stock them in lieu of obtaining requirements from other sources when needed. However, "standby or reserve items" are not to be eliminated from inventories. A "standby or reserve item" is an item for which a reserve stock is held so that the items will be available immediately to meet emergencies for which there is insufficient time to procure or requisition the items without endangering life or causing substantial financial loss to the Government.

[41 FR 3859, Jan. 27, 1976]

**§ 101-27.404 Review of items.**

Except for standby or reserve stocks, items in inventory shall be reviewed periodically (at least annually) to identify those which are inactive and slow-moving. This review may be conducted coincidentally with the normal replenishment or long supply reviews. The estimate of current or future requirements for an item shall be based on its recent history of recurring requirements. Standby items shall also be reviewed at appropriate intervals to substantiate their qualification for inclusion in that category.

**§ 101-27.405 Criteria for elimination.**

Inactive items, items which no longer qualify as standby, and slow-moving items which are readily available, when needed, from Government or commercial sources shall be eliminated from inventory. The determination of a slow-moving item shall be based on a comparison of the costs for continuing to maintain it in stock as opposed to the costs for ordering it from outside sources each time it is requested. This comparison shall also consider any difference in price and transportation costs for each alternative. In the absence of criteria for stockage of an item developed and used by an agency, the desired results will be obtained through application of the following table:

Orders per year under economic order quantity (EOQ)	Minimum number of requests per year to justify continuation in stock
12 and over .....	24
11 .....	22
10 .....	20
9 .....	18
8 .....	16
7 .....	14
6 .....	12
5 .....	10
4 .....	8
3 and under .....	7

NOTE: Except for the low dollar infrequently ordered item, which requires a higher minimum, an item should be discontinued from stock if the number of requests for it is less than twice its order frequency under EOQ. For example, an item ordered six times per year under EOQ should have at least 12 requests per year to continue stockage. For 11 requests, it would cost less to order each time it was requested.

11 orders at \$5 per order .....	\$55
Under EOQ:	
6 orders at \$5 per order .....	\$30
Holding cost (equal to ordering cost) .....	30
Total .....	60

**§ 101-27.406 Disposition of stock.**

Stocks of slow-moving items which are not otherwise determined to be eligible for continued stockage shall be eliminated through normal attrition and shall not be replenished. The successive actions indicated in paragraphs (a) through (c) of this section, shall be taken, as necessary, to remove stocks of inactive items from inventory.

(a) Transfer stock to other offices where needed within the agency.

(b) Transfer stock to other agencies as follows:

(1) Centrally managed items to the agency managing the item for credit; or

(2) Agency program items to agencies requiring them.

(c) Dispose of remaining stocks, as excess, after actions taken in paragraphs (a) and (b) of this section, in accordance with subpart 101-43.3.

**Subpart 101-27.5—Return of GSA Stock Items**

SOURCE: 35 FR 12721, Aug. 11, 1970, unless otherwise noted.