

SOP Template: Damaged or Obsolete Inventory Handling Process

This SOP details the **damaged or obsolete inventory handling process**, outlining procedures for identifying, documenting, segregating, and disposing of damaged or obsolete stock. It ensures accurate inventory records, compliance with regulatory requirements, and minimizes financial losses by establishing clear guidelines for approval, storage, and final disposition of unusable inventory items.

1. Purpose

To establish a standard procedure for handling damaged or obsolete inventory in order to maintain inventory integrity, ensure compliance, and minimize financial risk.

2. Scope

This SOP applies to all employees involved in warehouse, inventory, and supply chain operations within the organization.

3. Responsibilities

- **Warehouse/Inventory Staff:** Identify and report damaged or obsolete items.
- **Warehouse Supervisor:** Review, approve, and oversee segregation and documentation process.
- **Inventory Control/Finance:** Approve write-off adjustments and monitor financial impact.

4. Definitions

Term	Definition
Damaged Inventory	Items physically harmed and no longer fit for use or sale.
Obsolete Inventory	Items no longer in demand, expired, or superseded by newer versions.

5. Procedure

5.1 Identification

1. Inspect physical inventory regularly (e.g., during cycle counts or receiving/shipping processes).
2. Tag and record any item found damaged or obsolete using the **Damaged/Obsolete Inventory Report Form**.

5.2 Documentation

1. Complete the Damaged/Obsolete Inventory Report including:
 - Item code, description, and quantity
 - Reason for damage or obsolescence
 - Date and name of reporting staff
2. Submit the report to the warehouse supervisor for verification.

5.3 Segregation

1. Move damaged or obsolete items to a designated quarantine area clearly labeled as "Hold - Not for Sale/Use".

2. Update inventory records to reflect items on hold.

5.4 Approval

1. Warehouse supervisor reviews items and report; recommends further action (repair, return to vendor, or disposal).
2. Finance/inventory control provides final approval for write-off/disposal.

5.5 Disposition

1. Dispose of approved items per company policy by destruction, scrapping, return to supplier, donation, or other approved methods.
2. Document method, date, and personnel involved in disposal.
3. Update inventory counts and accounting records to reflect removal.

6. Records and Documentation

- Damaged/Obsolete Inventory Report Form
- Inventory Adjustment Records
- Disposal Certificates/Supporting Documents

7. Compliance

All actions must comply with regulatory, environmental, and company-specific requirements related to handling and disposing of inventory.

8. Revision and Review

This SOP should be reviewed annually or upon significant process or regulation changes.