

**SOP WORKING WITH
SUBCONTRACTORS**

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SETUPS

1. Define a Type F subcontractor warehouse in the Warehouses form.
 - Assign this warehouse a default Kit Warehouse.
2. Link the warehouse to a vendor in the Subcontractor Warehouse column of the Vendors form.
3. Define a subcontractor work cell in the Work Cells form:
 - Record a code and description in the Work Cell and WorkC Description columns.
 - Select "T" in the Inv./Costing Control column.
 - Select the defined subcontractor warehouse in the Warehouse column.
4. In the Operations and Routings forms, define the production routing for the part in question, and its component operations. Note: In the last operation in the routing, flag the Remove Oper. Number and Remove Wk Order No. columns.
5. Define the raw materials to be issued in bulk to the subcontractor. That is, make sure that the Kit Component column in the Parts form is *not* flagged.
6. Define the raw materials to be issued to a kit. That is, make sure that the Kit Component column in the Parts form is flagged.

PROCEDURE SUMMARY

1. Open a work order (manually or automatically via the MRP program).
2. Open a purchase order (manually or on the basis of a purchase requisition). In the itemization sub-level, make sure to:
 - link the work order to the manufactured part (the work order must already be released)
 - specify the operation to be performed by the subcontractor.
3. Send the required materials to the subcontractor's warehouse via a shipment to subcontractor document.
4. Receive the finished goods from the subcontractor in a GRV based on the purchase order. Notes:
 - The system automatically fills in the From Warehouse column in the upper-level form with the subcontractor's warehouse.
 - The inventory balance of raw materials in the subcontractor's warehouse is reduced according to the work order BOM and the quantity received.
 - The order balance in the purchase order is updated automatically, as well as the work order's progress report.
5. Run the Backflush program in order to receive warnings from the system regarding reductions of raw material inventory that did not actually occur, for example, due to lack of the required quantities.

PROCEDURE

STAGE ONE: OPENING A WORK ORDER MANUALLY

1. Enter the Work Orders form and open a new work order, filling in the following columns:
 - Part Number of the parent part
 - Work Order Qty
 - Begin Production (in the Prod. Data tab)
 - Flag the Release column (in the Details tab).
2. Enter the Kit List sub-level form. This form displays the required child parts in the BOM according to the work order quantity recorded in the upper-level form. It only displays those parts required by the subcontractor, and does not display child parts flagged as Info Only. Make sure the Issued to Kit column is not flagged.
3. To issue kit components, enter the Issues to Kits sub-level form and designate the quantity of each part to issue to the subcontractor's kit warehouse.
4. Enter the parallel Routing for the Work Order sub-level form, and check the following details:
 - Make sure the routing is correct and includes the operation to be performed by the subcontractor.
 - Make sure that the work cell linked to the operation is the work cell linked to the subcontractor warehouse.
 - Make sure the subcontractor operation is marked with a "T" in the Inv./Costing Control column
 - For the last operation in the routing, make sure the warehouse to which the finished goods will be transferred is recorded, and the Remove Oper. Number and Remove Wk Order No. columns are flagged.

STAGE TWO: HANDLING A WORK ORDER OPENED BY MRP

1. Enter the Purchase Requisitions form and retrieve the PRs opened automatically by MRP.
2. Press F6 from the To Work Order column to enter the Work Orders form.
3. Release the work order by flagging the Release column.
4. To issue kit components, use the Issues to Kits sub-level form.

STAGE THREE: OPENING A PURCHASE ORDER FROM A SUBCONTRACTOR

1. Enter the Purchase Orders form.
2. Specify the subcontractor in the Vendor No. column.
3. Enter the Order Items sub-level form.
4. For each manufactured part, fill in the following columns:
 - Part Number (of the parent part)
 - Operation (the operation to be performed by the subcontractor)
 - To Work Order (make sure the work order has been released)
 - Quantity.

Note: To open a purchase order on the basis of purchase requisitions opened automatically by MRP, see the relevant Standard Operating Procedure.

STAGE FOUR: SHIPPING PARTS TO THE SUBCONTRACTOR

1. Make sure the IFloorInv constant (in the Logistical Constants form) is set to 2 (so that issues are prepared on the basis of open work orders on the plant floor).
2. Enter the Shipmt to Subcontr/Issue of Kit form.
3. Specify the Subcontractor Number.
4. In the From Warehouse column, specify the warehouse from which the parts are to be sent (if they are to be sent from a number of warehouses, specify them per part in the Shipped Items sub-level form). The To Warehouse column is filled in automatically with the subcontractor's warehouse.
5. To itemize the shipping document with parts issued in bulk, select Prepare Bulk Shipments from the list of Direct Activations. This program itemizes the Shipped Items sub-level form with the bulk issue parts required in the subcontractor's warehouse.
6. To itemize the shipping document with parts issued to kits, enter the parallel Kits to Ship sub-level form and specify the relevant work orders.
7. Move to the Shipmt to Subcontr/Issue of Kit form, a parallel sub-level. Issues to kits for the specified work orders are listed automatically.
8. Specify the actual quantity to be shipped in the Qty (Factory Units) column.

RESULTS

- The inventory balances of raw materials in the subcontractor's warehouse are automatically increased according to the shipped quantity of each part and its work order BOM.
- Accordingly, the inventory balances of parts in the kit/main warehouse are automatically reduced.

STAGE FIVE: RECEIVING GOODS FROM THE SUBCONTRACTOR

1. Enter the Goods Receiving Voucher form.
2. Open a new GRV from the subcontractor, specifying the following:
 - In the References tab, specify the original purchase order in the Order No. column. The From Warehouse appears automatically and the order items are listed automatically in the sub-level form.
 - In the Received Items sub-level form, specify the received Quantity of each item.
 - In the upper-level form, change the Status to a status defined as final.

RESULTS

- The system automatically increases the inventory balance of each part in the receiving warehouse according to the received quantity (rather than the ordered quantity).

- The inventory balances of raw materials in the subcontractor's warehouse are automatically reduced according to the received quantity of each part and its work order BOM.
- The order balance of each part in the original purchase order is updated automatically, as well as the progress report of the work order in question.

STAGE SIX: RUNNING THE BACKFLUSH PROGRAM

This program displays warning messages regarding inventory reductions of raw materials that did not actually occur, for example, due to lack of required quantities at the subcontractor's warehouse.

1. Make sure the OnlineBF constant (in the Production Constants form) is set to 1.
2. Run the Backflush program, choosing the From Last Past Bal. option.

RESULTS

- Order balances are calculated in the purchase order.
 - In the Progress Report sub-level of the Work Orders form, the second line displays the "GRV" operation and the received quantity.
 - The Inventory Balance for Part sub-level of the Parts form displays the received inventory as a regular incoming inventory transaction.
 - The inventory balances of raw materials in the subcontractor's warehouse are reduced according to the received quantity of each part and its work order BOM.
3. Enter the Missing Issues form and perform a query for the current date (the date Backflush was run). This form displays all missing issues and raw materials that could not be reduced, due to lack of required quantities in the subcontractor's warehouse. The following are possible causes of such lacks, and ways to handle them:
 - Problem: Insufficient raw materials were sent to the subcontractor.
 - Solution: Open a new shipment to subcontractor document for the missing inventory. Balances will be updated the next time Backflush is run.
 - Problem: Parts were not flagged as Info Only.
 - Solution: Flag the parts in question and remove the checkmark from the Issued to Kit column in the work order kit list.
 - Important: Run the Backflush program automatically (via the Tabula Task Scheduler) on a daily basis, and manually once a week.

STAGE SEVEN: PERFORMING AN INVENTORY COUNT IN THE SUBCONTRACTOR WAREHOUSE

Reduction of child parts from the subcontractor's warehouse is performed according to the BOM and does not always reflect the actual quantities.

An inventory account should be performed periodically in the subcontractor's warehouse, in order to update the actual balances.

Note: The inventory count will only include parts in the subcontractor's warehouse that were issued in bulk.

TO PERFORM THE INVENTORY COUNT:

1. Run the Prepare for Inventory Count program. Specify the date for the inventory count form and select the subcontractor's warehouse. The form will display all parts for which there is inventory in the designated warehouse.
2. Enter the Itemized Inventory Count sub-level of the Inventory Count form. For each bulk part, record the actual quantity in the Counted Qty (Fact.) column.
3. After checking the recorded quantities, flag each line in the Approve Counted Qty column. Inventory balances in the subcontractor's warehouse are adjusted automatically.
4. Return to the upper level form and change the Status to "Final".

RESULTS

- Inventory balances in the subcontractor's warehouse are updated by the quantities recorded in the Inventory Count form.
- For each counted part, an "inventory count" transaction is recorded in the subcontractor's warehouse for the difference between the calculated quantity and the actual quantity recorded in the Inventory Count form.