

DLMSO

May 5, 1998

MEMORANDUM FOR: DISTRIBUTION

SUBJECT: Joint Physical Inventory Working Group (JPIWG)
Meeting, February 4-5, 1998

The attached minutes of the JPIWG Meeting are forwarded for your information and appropriate action.

The Defense Logistics Management Standards Office point of contact is Ms. Mary Jane Johnson, (703) 275-5266, DSN 235-5266, or e-mail: maryjane_johnson@hq.dla.mil.

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JAMES A. JOHNSON

Director

Defense Logistics Management
Standards Office

Attachment

DISTRIBUTION:

ADUSD(L)MDM (Ms. Sherry McNeil)
DoDIG/Audit (Mr. Scot Miller)
DoDIG/AUD/APTS (Mr. Frank Sonsini)
DLA DLSC-LDA
ARMY AMCLG-SM
ARMY AMCAM-LG
NAVY NAVSUP 4263C
NAVY NAVICP CODE 0416
NAVY NAVORDCEN CODE 422
NAVY NAVORDCEN IMSD
AIR FORCE AFMC-LGSP
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May 5, 1998

DLMSO

MEMORANDUM FOR RECORD

SUBJECT: Joint Physical Inventory Working Group (JPIWG)
Meeting, February 4-5, 1998

Purpose: The Defense Logistics Management Standards Office (DLMSO) hosted a JPIWG meeting on February 4-5, 1998, at the DLA Headquarters Complex, Ft. Belvoir, VA. The primary focus of this meeting was discussion of a DoD record accuracy goal for general supplies and the importance of timely and accurate submission of Inventory Control Effectiveness (ICE) Reports. The agenda is at Enclosure 1. A list of attendees is at Enclosure 2. The Marine Corps did not attend.

Brief Summary of Discussion: Ms. Mary Jane Johnson, JPIWG Chairperson, provided opening remarks and facilitated discussion of agenda items below:

a. **INVENTORY RECORD ACCURACY GOAL.** The JPIWG had been tasked by ADUSD(L)MDM to develop a **general supplies** record accuracy goal for DoD. After much discussion, the JPIWG developed the recommended record accuracy goal shown at Enclosure 3. The goal would be subject to a 95% confidence level and a $\pm 4\%$ bound, and would be submitted with the 4th quarter fiscal year ICE report. DLMSO asked the representatives to provide their Component position on the goal by March 5, 1998. The Army, Navy, Air Force, and DLA responses are at Enclosures 4 through 7 respectively. ADUSD(L)MDM disseminated a memorandum, April 8, 1998, authorizing the inventory records accuracy standard (Enclosure 8) with reporting commencing in September 1998.

Still at issue is the development of a statistical model to meet the requirements of the Chief Financial Officer's Act (CFOA). For several years the JPIWG had tried diligently, but unsuccessfully, to develop a statistical model that would meet the requirements for both logistics and the CFOA. In June 1997, DLMSO and the DoD Inspector General's (IG) office agreed that, based on the requirement to realign the Defense Business Operating Fund (DBOF) into several separate working capital funds for each Component, the requirement to establish a single statistical

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random sample to satisfy both logistics and financial communities was no longer feasible.

The group discussed the resource impact of having to perform two separate sampling procedures for record accuracy (general supplies and ammunition) and the CFOA requirements. Mr. Frank Sonsini, DoD IG, indicated that his office could compare the record accuracy goal and the CFOA model, once developed, for commonality to determine if a combined sample was practical. Mr. Sonsini was extremely helpful in offering suggestions on how to approach the development of a record accuracy goal.

b. ICE REPORT SUBMISSION. DLMSO emphasized the need for timely and accurate submission of ICE reports. The DoD requirement is that ICE reports arrive at DLMSO no later than 75 calendar days following the end of the reported quarter. DLMSO then compiles and submits the reports to OSD for review and analysis. OSD posts the ICE report to a web page on the Internet at URL is <http://www.isis.web-eis.com/supply/ice.htm>.

Ice report submission during 1997 had not been adequate in many areas. This was due in part to confusion over the Service role in submitting reports once DLA took over a formerly Service depot; as well as to downsizing and changes in resources which affected internal Service data submission. There was some misconception that once DLA took over a depot, the Service reporting requirement ended entirely. Enclosure 9 was provided to the members to highlight the area of the ICE report each Service is responsible for once accountability for Service owned assets passes to DLA. Army's ICE report input was further clouded by the fact that while DLA had taken over certain Army depots, accountability had not yet been transferred, leaving Army responsible for reporting the data. Additionally, Army indicated they were addressing known system problems affecting their internal data submission.

ACTION:

The Services agreed to validate their ICE submission process and assure that data already submitted was accurate, and resubmit if necessary; or provide initial submission if delinquent. DLMSO and ADUSD(L)MDM requested submission of delinquent or missing data as soon as possible.

DLMSO agreed to reformat the General Supplies ICE report to more clearly identify data reported by a Service and data reported by DLA for Service-owned assets. A sample of the AMCL 8A reformatted reports is at Enclosure 10.

c. DATA SHARING AND THE SINGLE ITEM INVENTORY RECORD (SIIR). Mr. Frank St. Mark, DLMSO contractor, provided a briefing on a proposed DLMS Change 19 for a SIRR under data sharing. The concept of data sharing is to improve the current logistics environment to achieve cohesion and flexibility with the ultimate goal of developing information interoperability across combat support functions. DLMSO was tasked by the Logistics Community Manager (LCM) to recommend a logistics enterprise asset and to develop a proposed change to establish and maintain that asset as the single authoritative source for data to be shared. The proposed change designates the storage activity (wholesale and below wholesale) on-hand balance as the authoritative source value. The proposal would add the following definition for on-hand balance to MILSTRAP (DoD 4000.25-2-M), DoD Materiel Management Regulation (DoD 4140.1-R), and DLMS (DoD 4000.25-M) volume 1:

"On-Hand Balance. The total number of units currently on-hand by line item (national stock number + supply condition code = line item) and owner/manager as reflected on storage activity records."

DLMSO briefed the proposal to the LCM on February 23, 1998. The SIIR briefing is at Enclosure 11. The draft DLMS Change proposal is at Enclosure 12.

d. PROPOSED MANAGEMENT CODE TO IDENTIFY MATERIEL LOST IN RECEIPT PROCESSING. The group reviewed a draft proposed Defense Logistics Management System (DLMS) change originated by DLA. This change proposes a new Management Code to identify materiel, for which the depot has proof of delivery but no physical evidence of receipt and an automatic inventory adjustment is required. It was recommended that associated procedures for MILSTRAP chapter 4 receipt processing be included in the proposal.

ACTION: DLA agreed to develop procedures for chapter 4 of MILSTRAP. Upon receipt of the procedures, DLMSO will incorporate them into the change and staff the proposal with the Components.

MARY JANE JOHNSON
Chairperson, DoD JPIWG

APPROVE:
JAMES A. JOHNSON _____
Director, DLMSO

Enclosures

**JOINT PHYSICAL INVENTORY WORKING GROUP
(JPIWG) MEETING**

FEBRUARY 4-5, 1998
CONFERENCE ROOM 2601

AGENDA

TOPIC	DISCUSSION
<p>RECORDS ACCURACY GOAL</p> <p>STATISTICAL MODEL FOR MEETING CFOA REQUIREMENTS</p> <p><u>BACKGROUND:</u> In June 1997, DLMSO and the DoD IG agreed that it was not possible to establish a single statistical model to satisfy both record accuracy and the Chief Financial Officers Act (CFOA) requirements. The JPIWG would develop a record accuracy goal, while the DoD IG will develop a model to accomplish the CFOA requirements.</p>	<p>The JPIWG has been tasked by ADUSD(L)MDM to develop a general supplies record accuracy goal. JPIWG representatives should come to the meeting prepared to recommend, discuss, and approve a record accuracy goal. The DoD IG is invited to participate in the discussion for a better understanding of the goal, and possibly linking it to the model developed to meet the CFOA requirements.</p>
<p>ICE REPORT SUBMISSION</p>	<p>JPIWG representatives have been asked to assure that any delinquent 1997 ICE reports for their Component are submitted to DLMSO by January 31, 1998. Any delinquent 1997 reports not received by that date will be discussed at the meeting and elevated to ADUSD(L)MDM for resolution.</p>
<p>Data Sharing and the Single Item Inventory Record (SIIR)</p>	<p>DLMSO to provide briefing on this initiative.</p>
<p>DRAFT Defense Logistics Management System (DLMS) Change Proposal for a New Management Code</p>	<p>Review of draft proposal originated by DLA.</p>

**JPIWG RECOMMENDED STRATIFICATION SUB-POPULATIONS AND
ASSOCIATED RECORD ACCURACY GOALS AND TOLERANCE LEVELS**

CATEGORY	SUB-POPULATION	RECORDS ACCURACY GOAL	TOLERANCE
A	CLASSIFIED AND SENSITIVE	100%	0%
B	UNIT PRICE \geq \$1,000	95%	0%
C	PILFERABLE (excluding Controlled Inventory Item Codes 7, 9, \$, U, and Blank)	95%	0%
D	UNIT OF ISSUE NOT EQUAL TO EACH (note: applicable units of issue will be specified) OR (ON-HAND BAL > 50 AND EXTENDED VALUE < \$50,000) OR NSN ACTIVITY (# transactions affecting balance in one year) > 50	90%	10%
E	DATE OF LAST INVENTORY > 24 MONTHS AND ON-HAND BALANCE < 50	93%	5%
F	ALL OTHER MATERIEL NOT MEETING ABOVE CRITERIA	95%	0%

95% Confidence Level
± 4% Bound

For submission with the 4th quarter fiscal year Inventory Control Effectiveness (ICE) Report
(data may be obtained throughout the fiscal year).