



OFFICE OF THE SECRETARY OF DEFENSE

6301 LITTLE RIVER TURNPIKE, SUITE 210  
ALEXANDRIA, VA 22312-5044



DEFENSE LOGISTICS  
STANDARD SYSTEMS OFFICE

0 8 NOV 1988

DLSSO-B

SUBJECT: DoD Joint Physical Inventory Working Group (JPIWG) Meeting,  
12-13 October 1988

TO: Commander, U.S. Army Materiel Command  
ATTN: AMCSM-M/AMCRM-F  
Commander, Naval Supply Systems Command  
ATTN: SUP 06/SUP 01  
Commander, Air Force Logistics Command  
ATTN: AFLC-DSS/AFLC-ACF  
Commandant of the Marine Corps  
ATTN: LPP/FDA  
Director, Defense Logistics Agency  
ATTN: DLA-OS  
Comptroller, Defense Logistics Agency  
ATTN: DLA-CF

1. The enclosed memorandum for record is forwarded for your information. Your attention is directed to the paragraphs listed below for action by the Components.

<u>Paragraph</u>	<u>Subject</u>
3d(2)	Comments on PMCL 114A
3e(2)	Computation of the average value of inventory for the ICE Report
3g(2)	Causative Research
3h(2)	Comments on PMCL 8

2. The DLSSO-BI point of contact is Mr. Frank St. Mark, (202) 274-6062, AUTOVON 284-6062.

1 Encl

cc:  
DASD(L)SD

JAMES R. LEWIS  
Chief  
Distribution Standard  
Systems Division



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MEMORANDUM FOR RECORD

SUBJECT: DoD Joint Physical Inventory Working Group (JPIWG) Meeting,  
12-13 October 1988

1. The subject meeting was hosted by DLSSO and convened at DLSSO at 0800 on 12 October 1988. The agenda for the meeting is at enclosure 1. The list of attendees is at enclosure 2.

2. The minutes of the 10-12 May meeting were reviewed and approved without correction.

3. The following topics were discussed by the group:

a. Topic 1. Status of the Army Logistics Management College (ALMC) development of the DoD Physical Inventory Control course.

(1) Discussion: The Chairperson advised the group that funding for the course, originally requested in 1986, would be in the program objectives memorandum (POM) for 1990-1994. ALMC will begin preliminary work on the course pending official notification that funding has been approved. It may be necessary for the Components to review and update the original data call. JPIWG review of and attendance at the initial course was recommended. The Chairperson emphasized the need for management personnel involved in the physical inventory control process to attend the first course(s) presented to foster management understanding and support of the physical inventory control program at all levels.

(2) Disposition: DLSSO-BI will continue to follow up on the status of the course and will keep the group advised.

b. Topic 2. Air Force interim briefing on research/adjustment policy.

(1) Discussion: The Air Force member presented an interim briefing on the Air Force test of the research/adjustment policy authorized by DoD. The Air Force criteria, based on a study conducted by Arthur Young, is designed to prioritize inventory workload based on mission importance in order to maximize the return on investment of resources.

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(a) The Air Force policy differs from DoD policy by allowing variances of less than 10 percent of the record units and less than \$5,000 to remain on the record. No research is performed, no adjustment is taken, and the workload associated with these variances is deferred. This criteria is based on Air Force research that determined that unit adjustments of plus or minus 10 percent do not affect Air Force buy decisions and a review of historical adjustments by dollar value. The Air Force is accumulating data from day-to-day operations and from the 500 item samples conducted at Air Force activities. Preliminary analysis by the Air Force indicates that management indicators are improving despite the turbulence associated with implementation of the Automated Warehouse System (AWS).

(b) The DLA member commented that, in addition to better use of resources, item demand and supply support should be considered in inventory prioritization systems.

(c) The Navy member commented that a "no adjustment" policy may not be justified with the improved infloat processes available in the new real-time processing systems.

(d) The Army member commented that weapon system management criteria would be the consideration for inventory prioritization in Army systems.

(e) The group also discussed the goals of the physical inventory control program--to support buy decisions, customer requirements, maintenance activities, record-keeping credibility, records accountability, and mission effectiveness--that must all be given due consideration for inventory prioritization.

(2) Disposition: The Air Force will continue to collect and analyze data and will report the results to the group.

c. Topic 3. Draft DASD(L) letter to the Components.

(1) Discussion: Attendees were provided a copy of the revised draft letter to the Components subject: Physical Inventory Control. DASD(L/SD) intends to release the letter to coincide with publication of Proposed MILSTRAP Change Letter (PMCL) 114A, Revised Procedures for Physical Inventory Control. The group recommended that the current draft be revised further to include OASD support for PMCL 114A and to emphasize the importance of timely responses by the Components.

(2) Disposition: DLSSO-BI will request that DASD(L/SD) revise the letter to incorporate the JPIWG recommendations.

d. Topic 4. PMCL 114A.

(1) Discussion: Attendees were provided an advance copy of PMCL 114A, dated 7 November 1988. Service/Agency comments will be due 9 January 1989. The group discussed the new annual requirement for a random statistical sample.

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(2) Disposition: Attendees will include their comments, questions, and clarifications in their Service/Agency comments. Attendees were requested to work closely with their Service/Agency MILSTRAP Focal Points to ensure comments are submitted on time. Attendees were reminded that implementation considerations will be addressed after the proposed change is approved during the request for implementation date (RFID) process. Attendees should bring any significant objections identified within their Service/Agency to the attention of DLSSO-BI and/or DASD(L/SD) as soon as possible.

e. Topic 5. Computation of the average value of inventory for the Inventory Control Effectiveness (ICE) Report.

(1) Discussion: The MILSTRAP Chapter 7 definition of the average value of inventory does not specify what types of financial accounts should be included in computing the average value of inventory for the purposes of the ICE Report. Recent GAO audits used the average value of inventory from the FY 80 - FY 86 ICE Reports to compute and report inventory growth. The DLA member commented that the financial accounts are not clearly defined and include, for example, the intransit from procurement account.

(2) Disposition: Attendees were tasked to investigate and provide the following information for the next JPIWG meeting.

(a) Specific financial accounts used to compute the average value of inventory for their Service/Agency ICE Report.

(b) Price(s) used to determine the financial value(s) assigned to the financial accounts used.

(c) Anticipated impact of any changes to the computation of the average value of inventory which may be required based on this review.

(d) A recommendation for a more specific definition of the average value of inventory to identify the financial accounts that should be included in the computation.

(e) An analysis of any wholesale items that are currently excluded from and any retail items that are currently included in the ICE Report and the impact of correcting these situations.

f. Topic 6. Quality Control Program.

(1) Discussion: An objective of the Physical Inventory Control Program plan is to formalize the DoD Quality Control Program by publishing standardized procedures. Attendees were provided a copy of a draft procedure for the quality control program. Both the Navy and Air Force members stressed the need to evaluate the overall processes involved and not just the individual elements of the processes in order to conduct a viable quality control program. The Navy member commented that future systems may be designed to incorporate checks that can be made while the processes are ongoing.

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(2) Disposition: DLSSO-BI will review all Components' procedures and revise the draft for further discussion.

g. Topic 7. Causative Research.

(1) Discussion: Another objective of the Physical Inventory Control Program plan is to improve and standardize procedures for causative research. The Logistics Systems Analysis Office (LSAO) study on Physical Inventory Research resulted in five recommendations, which the group discussed.

(2) Disposition:

(a) The group agreed to incorporate the LSAO recommendation to include both unit and dollar value criteria in the selection criteria for research requirements. It was also generally agreed that the improved research procedures should include a revised definition of the process, identification of the source documents to be used in the research process, step by step procedures, and revised thresholds for research requirements.

(b) The Navy member offered to provide a new definition for the research process. All attendees were asked to provide their suggestions in their Service/Agency comments on PMCL 114A.

(c) Note: After the meeting, DASD(L/SD) suggested that each Component may be in the best position to analyze research and adjustment data in order to justify revising the thresholds for research requirements. It is requested that each Component consider a proposal to collect and analyze data for discussion at the next JPIWG meeting.

h. Topic 8. PMCL 8, Revised Inventory Adjustment Transaction.

(1) Discussion: Attendees were provided a copy of PMCL 8 for their consideration. This proposal was submitted by the Navy to allow storage activities to provide the date of adjustment to the storage activity record when submitting increase, decrease, and dual adjustments. The Chairperson explained that the proposal was submitted to correct perceived infloat/balance deficiencies existing when these adjustments are reported by (Army) storage activities to other Services for non-Single Manager for Conventional Ammunition (SMCA) items. This proposal simply eliminates the current MILSTRAP restrictions on the adjustment which permits only the "stock control activity" to use the date processed field. Discussion indicated that further clarification of the need for this procedure is needed.

(2) Disposition:

(a) The Navy member will clarify the requirement with the submitter.

(b) All Components were requested to analyze the proposal giving consideration to Service ammunition programs.

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i. Topic 9. PMCL 117, Accountability of Less Than Unit of Issue Materiel.

(1) Discussion: This proposal was developed as a result of various IG audits and the LSAO Disposal Program Improvement Study. Although all Components agreed with the concept of PMCL 117, the MILSTRAP Focal Point Committee did not agree on the proposed procedures and deferred this issue to the JPIWG for resolution. The DLA member made the below recommendation which was agreed to by the group. One additional recommendation, utilizing an NSN suffix and prorating the price of the other than standard unit of issue materiel was also discussed.

(2) Disposition:

(a) The JPIWG recommendation was:

- 1 Assign a new condition code defined as odd lot materiel.
- 2 Issue odd lots to the next end-user customer requisitioning more than one unit of issue at half-price.
- 3 Label shipment containers of odd lot materiel to identify the exact contents.

(b) DLSSO-BI will staff a revised PMCL incorporating the JPIWG recommendation.

j. Topic 10. Physical Inventory Control Program Plan.

(1) Discussion: The Physical Inventory Control Program plan is being revised for reissuance for FY 88 - FY 92. The Chairperson highlighted the planned updates and asked for comments from the group.

(2) Disposition:

(a) Two plan objectives have been completed. The Components have ensured that individual accountability elements are incorporated into Military and civilian performance appraisals. Components' internal management controls have been reviewed and responsibilities have been incorporated in DoDI 4140.35.

(b) One new plan objective will be added. The objective will be to determine the impact of automated warehouse systems on the physical inventory control process.

k. Topic 11. President's Council on Management Improvement (PCMI) Supply and Property Management Report.

(1) Discussion: Attendees were provided a copy of the Report on the Supply and Property Management Project to the PCMI. The Chairperson briefed the group on the report recommendations. The recommendations are currently being reviewed by OMB to develop the proposed Executive Order.

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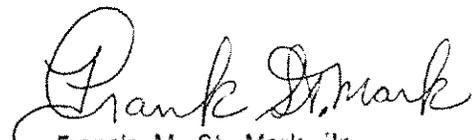
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(2) Disposition: The Chairperson will keep the group advised of the progress of the Executive Order.

4. The meeting was adjourned at 1600 on 13 October 1988. The Navy will host the next meeting, tentatively scheduled for March 1989. Details will be provided when available.

5. I would like to extend our best wishes to Ms. Pat Marten on her new position at the Defense Logistics Agency, Enhanced DLA Distribution Systems Office, with our sincere appreciation for her contributions to the JPIWG and, especially, her work on PMCL 114A. BRAVO ZULU.

2 Encl



Francis M. St. Mark, Jr.  
Chairperson  
DoD Joint Physical Inventory  
Working Group

AGENDA

DoD JPIWG MEETING

12-13 OCT 1988

<u>DATE</u>	<u>TIME</u>	<u>TOPIC</u>
12 OCT	0800-0815	ADMINISTRATIVE COMMENTS REVIEW/APPROVE MINUTES FROM 10-12 MAY MEETING
	0815-0830	STATUS OF ALMC PHYSICAL INVENTORY COURSE
	0830-1000	AIR FORCE BRIEFING STATUS OF DOD RESEARCH/ADJUST CRITERIA TEST
	1000-1015	BREAK
	1015-1100	LETTER FROM MITTINO TO SERVICES/AGENCIES PMCL 114A ISSUANCE
	1100-1200	ICE REPORT COMPUTATION AVERAGE VALUE OF INVENTORY
	1200-1300	LUNCH
	1300-1400	QUALITY CONTROL PROGRAM
	1400-1415	BREAK
	1415-1515	LSAO CAUSATIVE RESEARCH RECOMMENDATIONS
	1515-1530	WRAP-UP
13 OCT	0800-0830	PMCL 8 REVISED INVENTORY ADJUSTMENT TRANSACTION
	0830-1000	PMCL 117 ACCOUNTABILITY OF LESS THAN UNIT OF ISSUE MATERIEL
	1000-1015	BREAK
	1015-1200	PHYSICAL INVENTORY CONTROL PROGRAM PLAN
	1200-1300	LUNCH
	1300-1400	PRESIDENT'S COUNCIL ON MANAGEMENT IMPROVEMENT SUPPLY AND PROPERTY MANAGEMENT REPORT
	1400-1415	BREAK
	1415-1515	PMCL 114A BRIEFING TO SERVICES/AGENCIES
	1515-1530	WRAP-UP

EXCL 1