

OFFICE OF THE SECRETARY OF DEFENSE

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



DEFENSE LOGISTICS
STANDARD SYSTEMS OFFICE

24 MAY 1991

DLSSD-D

DLSSD (U.S. Army)

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: DoD Joint Physical Inventory Working Group (JPIWG)
Meeting, March 19-20, 1991

The attached Memorandum of Meeting is forwarded for your information. Your attention is directed to the paragraphs listed below for action by the Components:

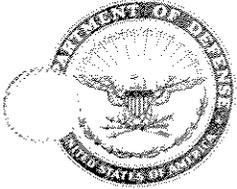
<u>Paragraph</u>	<u>Subject</u>
II.B.7.c.	Quality Control Program
II.B.7.d.	DoD Physical Inventory Control Program Course

The DLSSD-D point of contact is Mr. Frank St. Mark,
(703) 274-6062, DSN 284-6062.

James A. Johnson
JAMES A. JOHNSON, Chief
Distribution Management

Attachment:
As stated

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24 MAY 1991

MEMORANDUM OF MEETING

SUBJECT: Summary of DoD Joint Physical Inventory Working Group
(JPIWG) Meeting

I. **PURPOSE:** DoD Instruction 4140.35 requires quarterly meetings of the JPIWG. The subject meeting, hosted by the Defense Logistics Standard Systems Division (DLSSD), 6301 Little River Turnpike, Alexandria, VA, was held March 19-20, 1991. The meeting was convened to address issues subsequent to approved MILSTRAP change letter (AMCL) 8, Revised Procedures for Physical Inventory Control, issues relative to the Defense Management Review Decision (DMRD) 902, and implementation of the Defense Distribution System (DDS). The agenda for the meeting and the list of attendees are at attachments 1 and 2.

II. **BRIEF SUMMARY OF DISCUSSIONS:**

A. Administrative. The JPIWG Chairperson opened the meeting with introductions and provided administrative comments.

B. Agenda Items:

1. DEFENSE DISTRIBUTION SYSTEM (DDS) UPDATE

a. Discussion: Michael Kelley, DLA-OC, briefed the DDS Warehousing and Distribution Management System response to DMRD 902. The purpose of the briefing was to provide the current status of the DDS effort. Mr. Kelley reported that the detailed concept plans to consolidate New Cumberland and Mechanicsburg Depots, Ogden Depot and Hill AFB distribution functions, and the specific consolidation milestones through the end of 1991 were approved by ASD (P&L) December 1990. The consolidation schedule for 1992 will be developed and announced by the end of 1991. The distribution operating approach authorized the DLA to operate and manage the distribution facilities and warehouses spaces using the DLA policy, procedures, and support systems. The DLA will store any items the Services require and will

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meet the Services and DLA ICP's requirements for Most Efficient Distribution. Repairables will be stored at distribution sites collocated with maintenance sites and Service-managed wholesale and retail items will be stored based on Service requirements.

The 1991 consolidation schedule (transfer of Service personnel to DLA) will commence April 1991. The July 1991 DDS planned implementation includes 100 percent of Oakland on DDS, Sharpe operating on DDS (excluding the Warehouse Control System (WCS)), and phased implementation of WCS at Sharpe and Tracy. As of March 1991, DDS programming at Oakland is complete. The Bay Area hardware/telecommunication test was successful and the functional certification for receiving is complete. The certification of the issue/shipping began March 18. The hardware identification and requirements for the San Joaquin site is complete; while the AF Stock Control and Distribution system interface requirements are under development.

b. Disposition: The subject briefing was used to further assess the requirements to incorporate the Physical Inventory Control Program in the DDS.

2. END OF THE DAY PROCESSING

a. Discussion: The goal of AMCL 8 is to streamline procedures and greatly reduce the opportunities for inventory errors. One of the historical problems in maintaining accurate physical inventories is duplicate record keeping. To reduce the opportunities for record error, the AMCL recognizes that materiel accountability rests with the storage activity. Pending development and implementation of shared data bases, storage activities must have greater accountability for materiel in storage and property accountability record keeping. To this end, AMCL 8 requires the storage activity to take appropriate actions to ensure that the physical on-hand quantity and the property accountability record quantity are in agreement, including the initiation of physical inventory adjustments transactions (DI D8/9A) when necessary. During the development of AMCL 8, it was determined that storage activity processing of physical inventory adjustment transactions alone may not bring the storage activity record and owner/manager records into immediate agreement; however, it was recognized that the two records could be out of agreement until the monthly location reconciliation. Subsequently, during the

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development of the DDS and finalization of AMCL 8, it was recognized that a procedure would be required to bring the two records into agreement prior to the monthly location reconciliation.

Since the Navy storage activities process physical inventory adjustment transactions (DI D8/9A) and end of the day balance transactions (DI DZA), Navy was requested to brief their Unreconciled Balance (URB) process. Ms. Farley indicated that an URB is created when a storage activity property accountability record balance and the owner/manager visibility/memorandum record balance are not in agreement. The URBs are attributed to lost or delayed transaction reports, duplicate transaction reports, and other procedural/programmatic deficiencies. To ensure the accuracy of the record balances, the storage activity passes an end of the day balance for every line item experiencing transactions affecting the balance that day to the owner/manager. If the storage activity record end of the day balance does not agree with the owner/manager record end of the day balance, the owner/manager record balance is adjusted to agree with the storage activity record balance. The difference (gain or lost) is an URB. The URBs are researched and resolved through programmatic adjustments based on dollar thresholds; adjustments based on review and approval thresholds; and causative research. Unresolved URBs result in financial adjustments similar to DI D8/9B adjustment transactions. The Navy URB process applies to all end of the day record balance mismatches.

b. Disposition: The representatives discussed the Navy's URB process, recognized the AMCL 8 shortfall, and agreed that the shortfall must be corrected prior to implementation of AMCL 8. Within the DDS, the use of DI D8/9B adjustment transactions has been authorized when record mismatches are discovered during the location reconciliation process. Further discussions revealed the need for end of the day record balances rather than leaving the records out of agreement for up to 29 days. The Air Force representative indicated that the Air Force does not have two record balances and stated that physical inventory control effectiveness procedures must recognize the Air Force single record policy.

Based on the Navy's URB process and the representatives discussions, the Chairperson will develop strawman procedures for end of the day processing (DI DZA) and financial record adjustments (DI D8/9B) when the owner/manager record is made to be in agreement with the

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storage activity record. The strawman will be staffed with the JPIWG prior to the next JPIWG meeting.

3. ACCOUNTABLE OFFICER TRAINING

a. Discussion: To accommodate the DDS, some concepts envisioned to improve the physical inventory control program and subsequently incorporated in AMCL 8 were pushed forward in DDS. One such concept was the establishment of accountable officer positions at the storage activity. Since the DLA took over the distribution function at Oakland and Sharpe, the DLA determined that the level of expertise required to perform accountable officer functions at the storage activities was lacking, primarily due to accountable officer functions being performed at the owner/manager level within DLA and Army. The Navy accountable officers (Inventory Accuracy Officer) reside at the storage activity.

To improve the overall level of expertise of accountable officers within DDS, the DLA representative proposed developing an accountable officer training course. The course would provide standard training and tools to accomplish accountable officer functions at DDS storage activities.

b. Disposition: The JPIWG agreed that an ad hoc group, DoD JPIWG DDS Accountability Subgroup, chaired by DLA, be established as soon as possible to address accountable officer training. The subgroup tasks would include developing standard training, tools, recommending definitions for accountable records (owner/manager and storage activity records), and owner/manager and storage activity levels of research. The subgroup members will include representatives from the JPIWG and Service/Agency accountable officers. The first subgroup meeting is tentatively scheduled for mid-April and is expected to complete its tasks within six months. Interim progress reports will be presented to the JPIWG.

4. STATISTICAL PHYSICAL INVENTORY OF CONTROLLED ITEMS

a. Discussion: The Army, Navy and Defense Mapping Agency each requested a waiver from the DoDI 4140.35 requirement to conduct annual wall-to-wall physical inventory of controlled inventory items. The DASD(L)SD representative indicated that there are basically two approaches DASD(L) can take to approve the request: (1) approve the request for waiver for a specified period of time

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giving the JPIWG time to develop and staff changes to DoDI 4140.35 or the new super regulation (DoD Directive 4140.1, Inventory Management Policies); or (2) issue a policy memorandum authorizing random statistical sampling techniques for controlled inventory items. The DASD(L)SD representative also indicated that the time required for approval of either option would be about the same.

b. Disposition: The JPIWG initially approved option one. After further discussion, the JPIWG agreed that it would be beneficial to issue the policy memorandum. The JPIWG also recommended that the policy memorandum provide sufficient details to ensure that the sampling technique is commensurate with the materiel being sampled (ammunition, forms and publication, maps, etc.) and provide reasonable assurance that, as a minimum, the materiel being sampled are accurate in accordance with DoD 7220.9-M, chapter 34, DoD Accounting Manual. The draft policy memorandum will be staffed with the JPIWG for comments/recommendations in early April. The target date for the approved policy memorandum is May 1, 1991.

5. LEVELS OF RESEARCH

a. Discussion: During the November 13-15, 1990 JPIWG meeting discussion of standardize causative research procedures, the JPIWG recommended that postcount validation and preadjustment research procedures be developed for inclusion in MILSTRAP chapter 7. A strawman "Level of Research" paragraph, which includes the three levels of research, was developed by the Chairperson for discussion at this meeting. During the discussion of the strawman, it became apparent that the levels of research paragraph could best be handled by the DoD JPIWG DDS Accountability Subgroup, since the accountable office responsibilities include knowing how to conduct physical inventory research.

b. Disposition: The JPIWG recommended that the levels of research be addressed by the subgroup. See paragraph 3.

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6. APPROVED MILSTRAP CHANGE LETTER (AMCL) 8, REVISED
PROCEDURES FOR PHYSICAL INVENTORY CONTROL

a. Discussion: Copies of AMCL 8, dated March 18, 1991, were provided to the group to review prior to release to the general public. The Chairperson felt that due to the timeframe between the group's last review (March 26-28, 1990) and publication of the AMCL (March 18, 1991), that it was necessary to point out changes recommended by the MILSTRAP committee; the differences between the MILSTRAP RFID (August 31, 1989) and AMCL 8, including the omissions in the RFID that were incorporated in the AMCL; and, the overall general realignment of the AMCL to conform to textual continuity. Based on the group's cursory review, several areas were identified as being incorrect or too far "out of context" with the RFID. Areas that needed attention that were not included in the AMCL were also identified.

b. Disposition: The Chairperson agreed to provide the group additional time to review the AMCL and to hold a one day meeting to discuss their comments/recommendations and finalize the AMCL. The meeting is scheduled for April 4, 1991.

NOTE: Subsequent to the meeting, the Chairperson reviewed the AMCL with the group's concerns/comments/recommendations in mind. The Chairperson agreed with the group's recommended changes discussed at the meeting, except deleting the term "property accountability record." The group's recommended changes were discussed with the MILSTRAP Administrator and the DLSSD-D Branch Chief. It was agreed that the group's initial recommended changes could be made without delaying or restaffing the AMCL. The Chairperson informed the DASD(L)SD representative of the DLSSD decision, including the retention of the term "property accountability record." Copies of chapter 34 and draft chapter 38 of the DoD Accounting Manual (DoD AM) were provided to the DASD(L)SD representative for his review.

The Chairperson telephoned each JPIWG representative (except the Marine Corps representative who was on TDY) and informed them that all of their initial recommended changes had been made and requested that they review the AMCL and provide telephone comments as soon as possible. Telephone contacts were made between March 22 and 27. All recommended changes were made.

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The DASD(L)SD representative review of chapter 34 and draft chapter 38 of the DoD AM determined that the term "property accountability record" was appropriate and that there was insufficient reason to delay publication of the AMCL. AMCL 8 was distributed March 28, 1991. Areas of AMCL 8 that require resolution by the JPIWG are identified as footnotes 1, 4 and 6.

7. OPEN AGENDA ITEMS.

a. **Controlled Inventory Item Code (CIIC) 7.** The definition of CIIC 7 was revised to accommodate demilitarization coded (other than A, B, or Q) items in the physical inventory control program requirements. Demil coded items that are lost and/or recovered will be investigated in accordance with MILSTRIP chapter 7 and DoD 7200.10-M, DoD Accounting and Reporting of Government Property Lost, Damaged or Destroyed. The group expressed concern with the method used to staff and communicate Defense Integrated Data Systems (DIDS) changes. DIDS changes are staffed and implemented via system change request (SCR). In most cases the Physical Inventory Control Program Community is unaware of the SCR. Mr. Yeakel indicated that he would look into the way the DIDS SCRs are staffed.

b. **Location Reconciliation.** The DLA representative expressed concern whether DAAS could accommodate the volume of transactions required for monthly location reconciliation. Currently DLA is conducting location reconciliation using magnetic tape thereby bypassing DAAS. The DLA representative also indicated that it appears that end of the day processing is necessary and as such, the JPIWG should reconsider the monthly location reconciliation (see II. B. 2.). This issue will be a JPIWG agenda item in conjunction with end of the day processing.

c. **Quality Control Program.** Representatives are requested to provide their comments on the draft procedures via FAX as soon as possible.

d. **DoD Physical Inventory Control Program Course.** Representatives are requested to provide their comments on the draft course via FAX as soon as possible.

III. DECISIONS REACHED: Decisions reached are as described in the discussion paragraph.

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IV. FOLLOWUP ACTIONS REQUIRED: The next JPIWG meeting was not scheduled because of on-going Defense Distribution System Inventory interface meetings that involve the JPIWG members; however, members should plan on at least two to three meetings through the remainder of this calendar year.

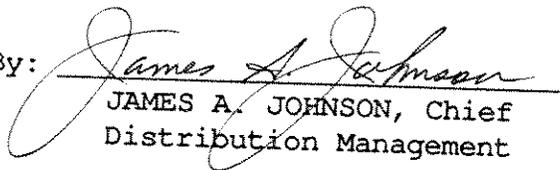
Prepared By:



FRANK ST. MARK

DoD Physical Inventory Control
Program Administrator

Approved By:



JAMES A. JOHNSON, Chief
Distribution Management

Attachments:

As stated

DOD JOINT PHYSICAL INVENTORY WORKING GROUP
(JPIWG) MEETING

MARCH 19-20, 1991

<u>DATE/TIME</u>	<u>TOPIC</u>
Tuesday, March 19, 1991	
0830-0900	Administrative Comments
0900-1000	Defense Distribution System Update
1000-1100	Quality Control Program Procedures
1100-1200	DoD Physical Inventory Control Program Course
1300-1400	ICE Report Statistics for DDRW
1400-1600	End of Day Processing -Materiel Release Denials -Location Reconciliation Automatic Adjustments
Wednesday, March 20, 1991	
0800-0900	Accountable Officer Training
0900-1000	Statistical Physical Inventory of Controlled Items
1000-1100	Levels of Research
1100-1200	Physical Inventory Control, MILSTRAP Chapter 7 (AMCL 8)
1300-1400	Open Agenda
1400	Wrap up