

OFFICE OF THE SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301

5 DEC 1984

CAMERON STATION  
DEFENSE LOGISTICS  
STANDARD SYSTEMS OFFICE  
ALEXANDRIA, VA ~~22314~~ 22304-6100  
DLSSO-T

MEMORANDUM FOR RECORD

SUBJECT: DoD Joint Physical Inventory Working Group (JPIWG) Meeting,  
1-2 Nov 84

1. The subject meeting was convened at 0900 hours, 1 Nov 84, Cameron Station, Alexandria, VA. Agenda topics are listed in Attachment 1 and attendees in Attachment 2.
2. Draft minutes for the 24-25 Sep 84 meeting were reviewed and it was agreed that another topic, pertaining to the DD Form 200, Report of Survey, should be added. This action will be taken before the minutes are released.
3. Representatives were informed that the Director, DLA, had recently approved 2 personnel spaces for DLSSO to be used for the Physical Inventory Program. Action to fill these spaces will be initiated in Nov 84.
4. The following agenda topics were presented and discussed with the resulting disposition:
  - a. Topic 1. Navy's Quality Control Program (QCP)

(1) Discussion. Mr. Frank St. Mark presented an overview of the Navy's QCP which has been established "to assist management in identifying those human, procedural, or system errors which adversely affect stock point accuracy and in achieving better control of physical assets." The presentation covered . . . Quality Control Checks (i.e., Location Survey, Location Changes, Physical Counts, Adjustments, Causative Research) . . . Uniform Quality Control Program (i.e., Receipts, Issues, Packing for Shipment, Release To Carrier, Receipt Processing Time Date Analysis, Transportation Hold) . . . Uniform Quality Control Program (i.e., Requisition Input Waiting Time, Referral Lag Time, Storage Site Processing) . . . Real Time Quality Control Program (i.e., Daily Sampling, Error Causes at Level of Individual Performing Task, Feedback Training, Standard QC Items, Interest Items).

(2) Disposition. The JPIWG Representatives felt that the Navy has a good viable QCP and recommend that a similar program be considered to apply to all MILSTRAP processing either by modifying Chapter 1; adding to what is

DLSSO-T

Subject: DoD Joint Physical Inventory Working Group (JPIWG) Meeting,  
1-2 Nov 84

already published in Chapter 7; or by developing a separate chapter for quality control. It was agreed that whatever is developed should not be restrictive to the point that it would eliminate allowing the Services/Agencies latitude for internal enhancements, when implemented. This area will be covered when the JPIWG develops proposed changes to the DoD MILSTRAP.

b. Topic 2. Review FY 84 ICE Report Data

(1) Discussion. The Military Services and DLA FY84 ICE Reports were reviewed for contents, trends, etc. Some discussion took place on the feasibility of developing a standard format for reporting the narrative analysis for the ease of accumulating data mechanically. Additional discussion on the ICE Report is covered in Topic 4.

(2) Disposition. The JPIWG did not determine there were any problems to be resolved at this time. The ICE Reports will be reviewed/tracked very closely beginning with the first report received based on the implementation of AMCL 41 (incorporated in Formal Change 12 to MILSTRAP). All agreed that it would be feasible to develop a standard format for reporting narrative analysis if the analysis is to be mechanized.

c. Topic 3. Proposed JPIWG Scheduled Meetings/Surveillance

(1) Discussion. Initial plans were to establish dates through 1985 for all JPIWG meetings and on-site reviews. It was determined that this approach was not feasible due to other commitments required of the working group representatives. However, the following plan of action was developed:

(a) Meetings:

1. 23-24 Jan 85 - Agenda . . . Review changes identified for development as proposed MILSTRAP changes . . . Review AMCL 41 (Formal Change 12 to MILSTRAP) and any current DODIG/GAO Audit Reports to determine the topics that we should concentrate on for the surveillance to be conducted during the Apr-Jun 85 time frame . . . Determine dates and activities for which the surveillance will be conducted.

2. 19-22 Feb 85 - Agenda . . . Prepare proposed MILSTRAP changes.

3. 18-22 Mar 85 - Agenda . . . Prepare proposed MILSTRAP changes. Air Force to consider hosting this meeting.

DLSSO-T

Subject: DoD Joint Physical Inventory Working Group (JPIWG) Meeting,  
1-2 Nov 84

(b) Surveillance - To be conducted during the Apr-Jun 85 time frame.

(2) Disposition. Topics to be considered for the development of proposed changes to MILSTRAP are contained in the DoD JPIWG Actions and Status dated 20 Apr 84. JPIWG Representatives will provide review topics for consideration, applicable to audit reports, and recommend activities to be visited during the surveillance. The JPIWG Representatives all agreed that no proposed changes should be staffed until the surveillance is completed and that the surveillance should not be conducted until the 3rd QTR FY 85 to allow sufficient time to gain experienced based on the revised physical inventory procedures.

d. Topic 4. Clarification of ICE Report Requirements

(1) Discussion. OASD (MI&L) Memorandum, 4 Sep 84, subject: Request for Clarification: The Inventory Control Effectiveness (ICE) Report, tasked the JPIWG to review the Air Force audit findings and recommend appropriate actions to ensure reports are prepared in a correct and standard manner. This review was conducted during the 24-25 Sep 84 JPIWG meeting at which time the JPIWG Representatives were not successful in resolving the differences of opinion regarding ICE reporting requirements. The topic was addressed again and with the assistance of the JPIWG Chairman the following clarification was obtained:

(a) The ICE Report will contain all data prescribed by DoD MILSTRAP. Input data will be for all Services/Agencies and not on a selective basis.

(b) Services/DLA will be granted an option to provide a separate report . . . in addition to the required ICE Report . . . reflecting stats for another Service/Agency storing their materiel. This report will be in the same format as the required ICE Report and contain all the data elements except for Lines 3a, 3b, and 3c pertaining to the location survey program.

(c) The Air Force and Navy will continue to report in Line 4 (Physical Inventory Program) all inventories performed without making a distinction between Retail and Wholesale . . . The Air Force, Navy, and DLA will report denials received on line items directed for shipment for which they have accountability, regardless of which Service/Agency activity is storing the materiel . . . The Army and Marine Corps will continue to report as prescribed by DoD MILSTRAP.

(d) Data received from GSA activities storing and issuing DoD materiel will be included in ICE Reports.

DLSSO-T

Subject: DoD Joint Physical Inventory Working Group (JPIWG) Meeting,  
1-2 Nov 84

(2) Disposition. DoD JPIWG Representatives are expected to adhere to the instructions contained in DoD MILSTRAP and the clarification provided in paragraph 4d(1) above, applicable to the ICE Report.

e. Topic 5. Method of Inventory Scheduling for Noncontrolled Items and Its Relationship to Requirements Computation and Subsequent Procurement Actions

(1) Discussion. DoD JPIWG Representatives were requested to present their approaches on the subject. Army has requested that the Inventory Research Office, Philadelphia, PA, conduct a study to determine methods for scheduling inventories which is estimated to be completed by Mar 85 at which time the results will be presented to the JPIWG. Mr. Mike Kelley presented the DLA's current approach to Inventory Scheduling which is attached as Attachment 3.

(2) Disposition. The DoD JPIWG Representatives generally agreed that the DLA approach/formula could be considered for adoption. Test results from the DLA implementation and the Army's study will be reviewed by the JPIWG before any final decisions are made.

5. The next DoD JPIWG meeting is scheduled for 23-24 Jan 85 and the agenda topics are included under paragraph 4c(1)(a)1, Topic 3. Additional information pertaining to the meeting site and time will be provided prior to the meeting.

6. The meeting was adjourned 2 Nov 84.

  
HORACE E. PERDIEU  
Vice-Chairman  
DoD JPIWG

cc:  
DoD JPIWG members

3 Att

DOD JPIWG MEETING  
1-2 Nov 84

AGENDA TOPICS

- . Navy's Quality Control Program (QCP)
- . Review FY 84 ICE Report Data
- . Proposed JPIWG Scheduled Meetings/Surveillance
- . Clarification of ICE Report Requirements
- . Presentations . . . Method of Inventory Scheduling for Noncontrolled Items and Its Relationship to Requirements Computation and Subsequent Procurement Actions

BACKGROUND

- ④ CURRENT APPROACH AND SHORTCOMINGS
- ④ REVISION TO DODI 4140.35
- ④ DCIMI GUIDANCE
- ④ LOW ASSET INVENTORY EXPERIMENT
- ④ DIRECTOR'S EMPHASIS: SUPPORT FORCE READINESS

ANALYSIS

WHAT TO COUNT:

- ITEMS MOST LIKELY IN ERROR
- ITEMS WHERE ERROR HURTS MOST
  - CUSTOMER SUPPORT
  - COST

WHEN TO COUNT:

- WHEN ACCURATE RECORD MOST VITAL

O.R. PROJECT - MARCH 1983

PROBLEM STATEMENT: DETERMINE METHOD OF SELECTING NSN's FOR SCHEDULED INVENTORIES WHICH WILL PLACE EMPHASIS ON ITEMS NEARING PROCUREMENT. EMPHASIS IS ALSO DESIRED ON THOSE ITEMS WHICH ARE IN THE WEAPON SYSTEM SUPPORT PROGRAM AND THOSE WHICH STRESS FORCE READINESS/CUSTOMER SUPPORT. A PRIMARY CONSTRAINT OF THE PROBLEM IS THAT THE DEVELOPED SYSTEM SHOULD NOT REQUIRE MORE INVENTORY PERSONNEL ASSETS THAN ARE CURRENTLY BEING UTILIZED FOR THE INVENTORY PROCESS.

INITIAL APPROACH

- REQUIREMENTS PROCESS IDENTIFY NSN "CANDIDATES FOR INVENTORY"
- MULTI-FACETED FILTER SELECTS AMONG CANDIDATES

PROBLEMS

- EQUITABLE DISTRIBUTION OF RESOURCES BETWEEN ICPS
- CONTROL OF LEVEL OF WORKLOAD GENERATED
- NO FLEXIBILITY FOR DEPOT MANAGEMENT

ALTERNATIVE APPROACH USED

- PRIORITIZE ALL NSNs
- MERGE PRIORITIES AT DEPOT
- DEPOT SCHEDULE ACTUAL
- MONITOR AND CONTROL EQUITY

O.R. PROJECT APPROACH

- BUILD REPRESENTATIVE MODEL
- APPLY CURRENT CRITERIA TO MODEL
- MEASURE OUTCOME
- BUILD PRIORITIZATION FORMULA(S)
- APPLY AGAINST MODEL
- MEASURE OUTCOME AND COMPARE
- MODIFY FORMULA AND REPEAT

PRIORITIZATION FORMULA

$$\text{PRIORITY} = \frac{\text{MSLI}/36 \times (\text{W1XADF}/95\text{th}\% + \text{W2XADQ}/95\text{th}\% + \text{W3XANDOL}/95\text{th}\%) + (\text{W5XWSC}) + (\text{W6XPLT}/95\text{th}\%) + \text{W7X}(1/\text{MTP}) + 1}{1}$$

- WHERE MSLI = MONTHS SINCE LAST INVENTORY  
ADF = ANNUAL DEMAND FREQUENCY  
ADQ = ANNUAL DEMAND QUANTITY  
ANDOL = \$ VALUE ANNUAL DEMAND  
WSC = WEAPON SYSTEM CODE (1=Y 0=N)  
PLT = PRODUCTION LEAD TIME  
MTP = MONTHS TILL PROCUREMENT  
W(1-7) = WEIGHTING FACTORS

WEIGHT FACTORS USED

MONTHS TILL PROCUREMENT	40
ANNUAL \$ VALUE DEMAND	25
WEAPON SYSTEM CODE	10
ANNUAL DEMAND FREQUENCY	10
ANNUAL DEMAND QUANTITY	10
PRODUCTION LEAD TIME	5

PERCENTILE VALUES FOUND

	50%	95%	99%	MAX
ADF	1	43	221	5733
ADQ	2	447	5989	4737360
ANDOL	14	7254	56106	5968756
PLT	143	311	420	600

## FEATURES

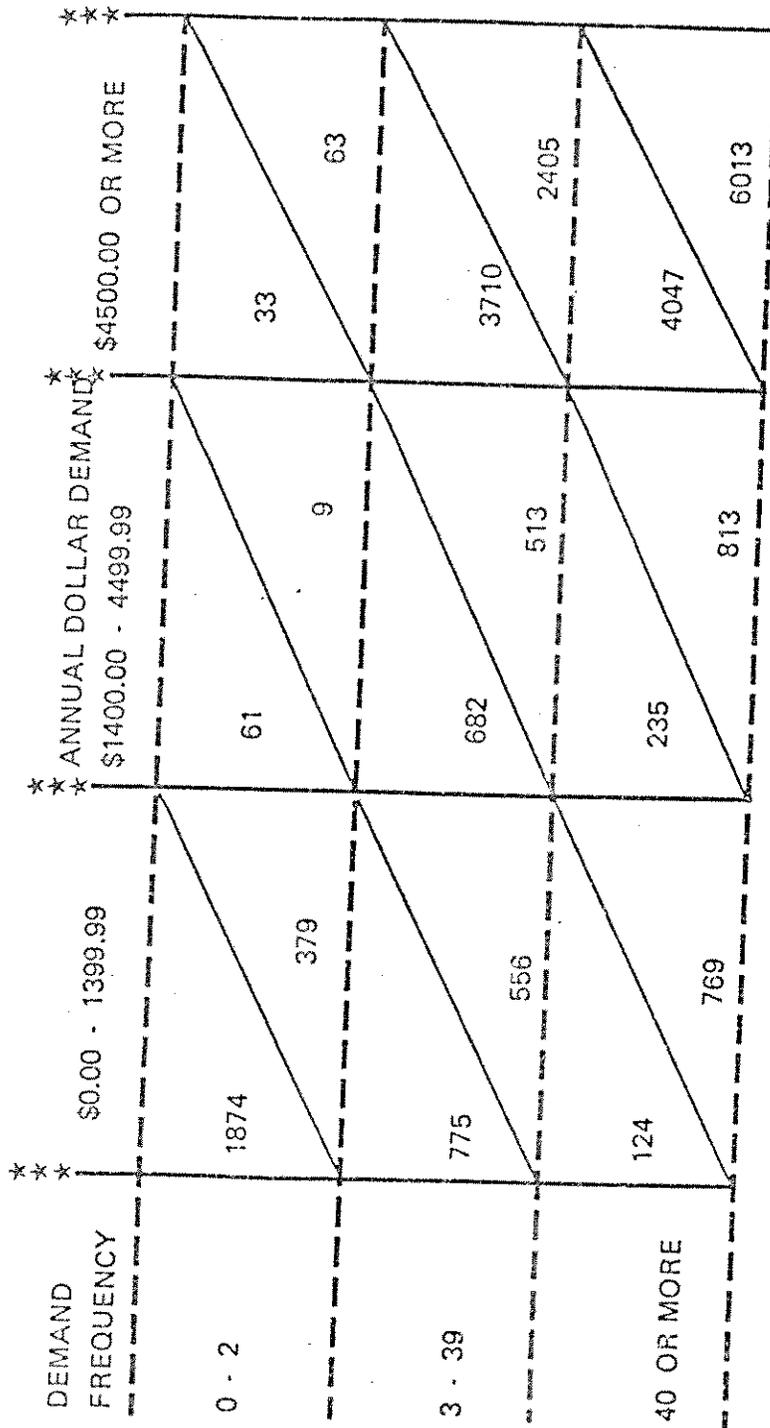
- 36 - MONTH CYCLE USED
- TOP 360 INVENTORIED EACH MONTH I
- MSLI RE-SET
- WHEN MSLI = 37, SAMPLE TAKEN
- MSLI RE-SET ON ENTIRE LOT
- PILFERABLE/SENSITIVE ACCOMODATED

TEST RESULTS

INVENTORY DISTRIBUTION

PRESENT SYSTEM:	WEAPON ITEMS	NON-WEAPON
TEST SYSTEM:	3667	7883
	5233	6287

TOTAL INVENTORIES  
CURRENT/TEST



INVENTORIES PER NSN-3 YEAR PERIOD  
CURRENT/TEST  
WEAPONS ITEMS

DEMAND FREQUENCY	ANNUAL DOLLAR DEMAND			
	\$0.00	\$1400.00 - 4499.99	\$4500.00 OR MORE	***
0 - 2	0.07	0.20	0.82	1.09
3 - 39	0.07	0.30	2.43	1.92
40 OR MORE	0.35	0.52	2.66	4.37
				1.98
				2.14
				0.41
				0.08
				0.03

INVENTORIES PER NSN-3 YEAR PERIOD  
CURRENT/TEST  
NON-WEAPONS ITEMS

DEMAND FREQUENCY	*** ANNUAL DOLLAR DEMAND ***			***
	\$0.00 - 1399.99	\$1400.00 - 4499.99	\$4500.00 OR MORE	
0 - 2	0.07	0.25	0.51	1.09
3 - 39	0.07	0.31	2.34	1.37
40 OR MORE	0.17	0.52	2.76	3.82

## CONCLUSIONS

- ① PRESENT FORMULA CLOSE
- ② TUNE-ABLE PROCESS
- ③ FURTHER REFINEMENT POSSIBLE
- ④ PROCEDURAL ISSUES SOLVABLE
- ⑤ SMARTER WAY TO GO

STEPS REMAINING

- FINALIZE FORMULA
- MODIFY DEPOT + ICP SYSTEMS
- ESTABLISH MONITORING PROCEDURES
- IMPLEMENT
- NEGOTIATE WITH SERVICES