



OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1000



DEFENSE LOGISTICS
STANDARD SYSTEMS OFFICE
CAMERON STATION
ALEXANDRIA, VA 22304-6100

08 FEB 1988

DLSSO-BI

SUBJECT: DoD Joint Physical Inventory Working Group (JPIWG) Meeting,
20-22 January 1988

TO: Commander, U.S. Army Materiel Command
ATTN: AMCSM-P/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: LMM/FDA
Executive Director, Supply Operations, DLA
ATTN: DLA-OS
Comptroller, Defense Logistics Agency
ATTN: DLA-CF

1. The enclosed Memorandum for Record, dated 5 February 1988, 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>
3.a.(1)	Below Wholesale Inventory Policy Study
3.a.(2)	Below Wholesale Inventory Definition

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

1 Encl

cc:
OASD(L/SD)

JAMES R. LEWIS
Chief
Distribution Standard
Systems Branch



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05 FEB 1988

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MEMORANDUM FOR RECORD

SUBJECT: DoD Joint Physical Inventory Working Group (JPIWG) Meeting,
20-22 January 1988

1. The subject meeting was hosted by the Marine Corps at Headquarters Marine Corps, Rosslyn VA. The meeting convened at 0900 on 20 January 1988. The attendees are listed in enclosure 1.

2. The minutes of the 16-19 November 1987 meeting were reviewed and approved with the following correction:

The Marine Corps requested that it be noted that the Marine Corps can not, at this time, concur with paragraph 3g(1) of the 16-19 November 1987 meeting minutes. The Marine Corps strongly objects to the concept of establishing accountability at the storage site. The minutes will be changed to reflect the Marine Corps non-concurrence.

3. The agenda for subject meeting is at enclosure 2.

a. The first order of business was general discussion of the Logistics Systems Analysis Office (LSAO) Below Wholesale Inventory Policy (BWIP) study recommendations.

(1) As requested at the 16-19 November 1987 meeting, DLA and the Air Force submitted comments on the BWIP study recommendations to DLSSO. However, the Army, Navy, and Marine Corps have not yet provided comments. The Army, Navy, and Marine Corps were tasked to provide their comments to DLSSO-BI by 15 February 1988. Components' comments will be discussed at the next JPIWG meeting.

(2) The definition of "below wholesale" is the essential first step to extending physical inventory control requirements to below wholesale functions. It was generally agreed by the attendees that a definition of "below wholesale" should be developed from the definition of "intermediate level of inventory" contained in DoDD 4140.44. The members were each tasked to provide a definition of the "intermediate level of inventory" to DLSSO-BI by 15 February 1988.

b. The remaining order of business was to continue discussion and resolution of Proposed MILSTRAP Change Letter (PMCL) 114, Revised Procedures for Physical Inventory Control.

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(1) Proposal to Establish Accountability at the Storage Site.

(a) The concept of establishing accountability at the storage site is being addressed at the OASD level by the DASD(L/SD) member. Establishment of a single record/data base for future systems supports the concept and the actual location of the record become transparent. Placing accountability at the storage site places accountability with responsibility for the materiel.

(b) The DLA member presented a memorandum detailing the DWASP systems approach and rationale utilizing this concept.

(c) Objections were raised by the Marine Corps focusing on the desire to maintain independent monitoring and separate control of physical assets from the accountability for those assets.

(2) Statistical Sample. The importance of incorporating the statistical sample into MILSTRAP was re-emphasized as one of the key issues emerging from the General Accounting Office (GAO) audits of physical inventory. The definition of a record to be used for the scheduled random statistical sample inventory was clarified as NSN + RIC + supply condition code.

(3) Physical Inventory Adjustment Processing. The elimination of DI code DKA, Physical Inventory Count, processing was proposed at the 16-19 November 1987 meeting. Storage activities would process and transmit DI code D8A/D9A Inventory Adjustment in lieu of DI code DKA. The procedure places the responsibility for determining the need for physical inventory adjustments with the storage activity. The Marine Corps opposed direct access to the accountable record by the storage activity.

(4) Location Survey. The Navy recommended that the requirement to conduct a complete location survey once each fiscal year be re-evaluated to give the Components more flexibility in applying physical inventory program resources. The Navy's proposal provides for quarterly statistical sample location surveys with a location survey conducted for all locations at least once every three fiscal years. Warehouses or warehouse areas failing the sample accuracy requirements would be required to perform a complete location survey or wall-to-wall inventory. It was proposed that the Navy request a waiver from current MILSTRAP location survey requirements and conduct sample location surveys on a one year test basis for DoD. The Navy will provide one year's worth of test results to the JPIWG for further evaluation. The Air Force member also stated that Warner-Robins AFLC has requested approval to conduct sample location survey.

(5) Location Reconciliation. To enhance the effectiveness of storage site accountability, location reconciliation, including quantitative balances with infloat control, will be required monthly for items with activity. This is in addition to the annual location reconciliation requirement for all items.

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(6) Quality Control. Quality control procedures will emphasize the need for management involvement to effect necessary corrective actions.

(7) Inventory Control Effectiveness (ICE) Report. The following changes and clarifications were incorporated.

(a) The time frame for submission of the Components' ICE report to DLSSO was changed from 75 days after the end of the quarter to 60 days after the end of the quarter. This will allow for consolidation of the reports for reporting to DoD within the next quarter with the objective of more timely data evaluation.

(b) Clarification of the Materiel Release Denial Management Codes prescribed in DoD 4000.25-1-M is needed to determine which denials should be included on the ICE report. The intent is to report only those denials resulting from inventory record inaccuracy. Denials as a result of special restrictive shelf life requirements should not be reported. The management codes and any applicable special restrictions will be examined further for discussion at the next meeting.

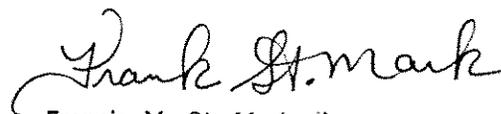
(c) Inventory variance rates will be reported on line 4 as (1) a total variance rate and (2) a major variance rate, including only those variances greater than \$800.

(d) Inventory adjustment data reported on line 5 must include those automatic adjustments resulting from materiel release denials and location reconciliations. The possibility of a new DI code for automatic adjustments will be considered to allow automatic adjustments to be reported separately.

(e) The sample line item record accuracy rate will be reported on line 6 as (1) an overall accuracy rate of the sample and (2) a 'major' accuracy rate including only the adjustments greater than \$800.

c. Other Issue. The status of the LSAO ICE report study was discussed. The study provides an evaluation of the data currently reported and tries to determine if the data currently requested provides a meaningful evaluation of the physical inventory control program. The study recommendations will be provided to the JPIWG for review and any recommendations adopted can then be incorporated into MILSTRAP Chapter 7.

2 Encls



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

08 FEB 1988

AGENDA

DOD JPIWG MEETING

20-22 JAN 88

<u>TIME</u>	<u>DATE</u>	<u>TOPIC</u>
0900-0930	20 JAN	ADMINISTRATIVE COMMENTS, REVIEW/APPROVE MINUTES FROM NOV 87 MEETING
0930-1030		BELOW WHOLESALE INVENTORY POLICY STUDY REVIEW
1030-1200		PMCL 114
1200-1300		LUNCH
1300-1600		PMCL 114
0800-1200	21 JAN	PMCL 114
1200-1300		LUNCH
1300-1600		PMCL 114
0800-1200	22 JAN	PMCL 114
1200-1300		LUNCH
1300-1500		PMCL 114
1500-1600		WRAP-UP