



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

CAMERON STATION  
DEFENSE LOGISTICS  
STANDARD SYSTEMS OFFICE  
ALEXANDRIA, VA ~~XXXXX~~ 22304-6100  
DLSSO-BI

30 OCT 1986

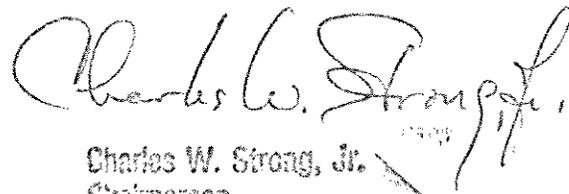
SUBJECT: DoD Joint Physical Inventory Working Group (JPIWG) Meeting,  
8-9 September 1986

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 30 October 1986, is forwarded for your information.
2. The DLSSO-BI point of contact is Mr. C. Strong, (202) 274-7668 (AUTOVON 284-7668).

4 Encl

cc:  
OASD(L/SD)

  
Charles W. Strong, Jr.  
Chairperson  
DoD Joint Physical Inventory  
Working Group



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MEMORANDUM FOR RECORD

SUBJECT: DoD Joint Physical Inventory Working Group (JPIWG) Meeting  
8-9 September 1986

1. The subject meeting was hosted by the Navy Supply Systems Command (NAVSUP), and convened at 0900 on 8 September 1986 at Park Center Offices, Alexandria, VA. Attendees are listed in enclosure 1. It is noted that the Army was not represented during any part of the subject meeting due to higher priority commitments of both the primary and alternate members.
2. The minutes of the 23-25 July 1986 meeting were reviewed and approved with the following connection to Enclosure 1, Attendees..."M. Kelley (Member)."
3. The agenda for the subject meeting is at enclosure 2.
  - a. The first order of business was a discussion of the DLSSO initiative to develop a DoD Physical Inventory Control Training Course. DLSSO has formally requested the Army Logistics Management Center (ALMC) at Ft. Lee, VA, to develop a program of instruction that would present the DoD concept policies and procedures in a broad, generic manner. The training course will be applicable to all DoD accountable activity and storage activity personnel and available to all Services/Agencies through the Defense Management Education and Training Program. The proposed training course is a 40 hour course to be taught by ALMC both as a resident and on-site offering. A copy of the briefing given to ALMC course development personnel on 28 August 1986 is at enclosure 3.
  - b. As a follow-on to the discussion of the DoD Physical Inventory Control Training Course, the JPIWG Chairman provided representatives with copies of the ALMC training course catalog for potential use within their Service/Agency. The Chairman pointed out that several courses relative to Physical Inventory Control of Ammunition are available through ALMC. This should be of significance to the Services in that the Army, as the DoD Single Manager for Conventional Ammunition (SMCA), has a very important role in establishing and maintaining accurate ammunition accountable records.
  - c. The second order of business was a discussion of the Inventory Control Effectiveness (ICE) Report. DLSSO was assigned the responsibility to consolidate and analyze the Service/Agency ICE reports 24 January 1986. Since assuming the responsibility, DLSSO has consolidated and submitted fiscal year 1986 first and

30 OCT 1986

DLSSO-BI                      PAGE TWO  
SUBJECT: DoD Joint Physical Inventory Working Group (JPIWG) Meeting  
8-9 September 1986

second quarter ICE reports to OASD(A&L)L/SD. In consolidating the reports, several mathematical errors were discovered and it was difficult, at best, to reach any conclusion using the narrative analysis provided by the Services/Agency.

d. JPIWG members were requested to review their ICE report prior to submission to DLSSO. The review should include checking for mathematical errors and ensuring that the ICE report is accompanied by substantive narrative analysis. The narrative analysis should include trends, accomplishments, significant comments on internal system performance, description of problems, actions in process or taken to correct the problem and "get well" dates if the problem is not corrected at the time the ICE report is submitted. Problems in reporting ICE report data should also be highlighted in the ICE report until the problem(s) is corrected.

4. Following the discussion of the above subjects, the JPIWG devoted the remaining time to the review of the draft Proposed MILSTRAP Change Letter (PMCL) 114, Revised Procedures for Physical Inventory Control. Major issues discussed are as follows:

a. Issue 1. Administrative changes to the Inventory Control Effectiveness (ICE) Report (DD Form 2338).

(1) Discussion: During the 23-25 July 1986 JPIWG meeting, there were several changes agreed to by JPIWG members for the DD Form 2338. The JPIWG Chairman was tasked to assure that all of the changes were incorporated in the next revision of the ICE form. The DD form was not changed to reflect Random Statistical Sample Inventory results as statistical sampling has not been established as an approved physical inventory requirement. Figure 7-2a. of the PMCL does provide a format for reporting statistical results when the procedural requirement is approved. Random statistical sample inventory results will be reported as an appendix to the first quarter ICE report when approved.

(2) Disposition: The JPIWG Chairman provided members copies of the draft DD Form 2338 (enclosure 4). The draft form was submitted to DLA publications for printing and distribution on 4 September 1986. Additionally, procedures for completing the revised ICE form have been incorporated in PMCL 114.

b. Issue 2. Location Reconciliation. In keeping with the agreement reached during the previous JPIWG meeting, PMCL 114 procedures were revised to provide for both automated followup and control of offline manual message/mail control and followup procedures for location reconciliation. Proposed manual message formats would be added to appendix A of the MILSTRAP manual if approved. Automated Location Reconciliation Control transactions will be published in appendix C of the MILSTRAP manual.

30 OCT 1986

SUBJECT: DoD Joint Physical Inventory Working Group (JPIWG) Meeting  
8-9 September 1986

(1) Discussion:

(a) Automatic adjustment criteria and dollar value thresholds for location reconciliation, as proposed in PMCL 114, were discussed.

(b) No automatic adjustments will be allowed for Type II Errors (custodial record with no corresponding accountable record).

(c) For Type I Errors (Accountable record with no custodial record), there was some discussion on dollar value thresholds for automatic adjustments. Of concern to JPIWG members was the cost to conduct an inventory versus the value of the potential variance. The estimated cost to count is approximately \$35. Additionally, where transaction history comparisons are accomplished in conjunction with location reconciliations, it is believed that a higher threshold for automatic adjustments is justified.

(d) In regard to automatic adjustments for controlled items, JPIWG members agreed that no automatics should be allowed for classified and sensitive items. However, all members felt that a threshold for automatic adjustments to pilferable items should be established.

(1) Disposition: Based on the above discussion, the JPIWG agreed to establish dollar value thresholds for automatic adjustments as follows:

<u>Type Error</u>	<u>Category of Items</u>	<u>Dollar Value Threshold</u>	<u>Action</u>
Type I	Classified & Sensitive	All variances	Physical Inventory
	Pilferable & Noncontrolled	\$35 or less	Automatic Adjustment
		\$35 w/o transaction history comparison	Physical Inventory
		\$100 or less w/transaction history comparison	Automatic Adjustment
	\$100 potential/actual variance	Physical Inventory	
Type II	Classified, Sensitive, Pilferable and Noncontrolled	All variances	Physical Inventory

30 OCT 1986

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c. Issue 3. Infloat document control.

(1) Discussion: PMCL 114 prescribes infloat document control procedures to ensure positive control of materiel during the physical inventory process. To ensure that the accountable and storage activities are reconciling to the same strike balance, the accountable activity will transmit the accountable strike balance to the storage activity using a newly created Accountable Record Strike Balance (DI Code DJC) transaction. Concerns were raised as to the value of the new transaction because all Services maintain custodial records and, in all cases, the Services reconcile to the custodial balance. Since DLA depots do not maintain custodial balances, the new Strike Balance transaction would be beneficial. Additionally, when a Service is storing materiel in a DLA depot, the DI Code DJC transaction would be of value to the DLA depot in reconciling to the owning Service accountable balance.

(2) Disposition: The JPIWG Chairman determined that the infloat document control procedures be staffed as written, including the new DI Code DJC, due to the inter-Service/Agency implications.

d. Issue 4. Date of Last Inventory.

(1) Discussion: The date of last inventory is referenced throughout MILSTRAP, chapter 7; however, it is not defined. The DLA representative recommended that the JPIWG define date of last inventory and recommended that the date be defined as the date of the actual physical count. Other representatives recommended the date be defined as the date the accountable record is adjusted (DI Code D8A or D9A), while others recommended that the representatives look at their systems and determine when the date is assigned and at that point make their recommendation. The latter recommendation was accepted by the JPIWG Chairman. The representatives were requested to notify the Vice-Chairman of their recommendation by telephone not later than 12 September 1986.

(2) Disposition: Based on the representatives' replies, it was unanimously recommended that the date of last inventory be defined as the date the accountable record is adjusted by DI Code D8A or D9A. The date of last inventory will be defined in PMCL 114, paragraph C.14.g.

e. Issue 5. Type of Physical Inventory/Transaction History Codes.

(1) Discussion: Based on the group's review of the proposed changes to PMCL 114, it was determined that type of inventory codes need to be developed for the following inventory requirements:

DLSSO-BI PAGE FIVE 80 OCT 21 1986  
SUBJECT: DoD Joint Physical Inventory Working Group (JPIWG) Meeting  
8-9 September 1986

(a) Under certain conditions, the accountable activity may require a special inventory within 90 days of the date of last inventory. Presently, the storage activity provides the accountable activity its custodial record balance when the accountable activity requests an inventory (except spot inventory) within 90 days of the date of last inventory. Establishing a new type of inventory code will permit the accountable activity to request necessary inventories within 90 days of the date of last inventory.

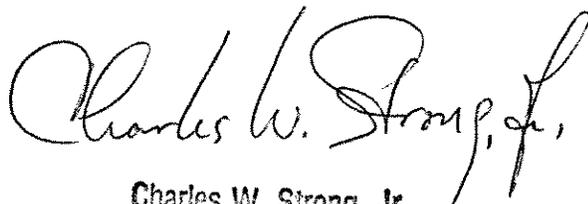
(b) To implement the annual random scheduled statistical sample inventory and establish controls for the accountable activities to classify the results of the statistical inventory.

(2) Disposition: The JPIWG Chairman agreed that there was a need to develop type of inventory codes for requesting inventories within 90 days of the date of last inventory and for the annual random statistical inventory and indicated that the codes would be added to PMCL 114.

5. The overall consensus of the JPIWG was that the proposed MILSTRAP change letter (PMCL) 114 was ready for staffing. The PMCL is scheduled to be staffed in October 1986. It was also determined that since PMCL 114 is scheduled to be staffed in first quarter fiscal year 1987, there is no need to schedule a meeting until the second quarter, fiscal year 1987. DLA has agreed to host the January 1987 meeting. Details concerning the meeting will be provided under separate cover.

6. The JPIWG Chairman thanked the JPIWG members for their time and effort in revising MILSTRIP chapter 7 and thanked the Navy for their support in hosting the meeting. The meeting was adjourned at 1600 hours, 9 September.

4 Encl



Charles W. Strong, Jr.  
Chairperson  
DoD Joint Physical Inventory  
Working Group

DoD JPIWG Meeting

8-9 September 1986

ATTENDEES

<u>NAME</u>	<u>DATE ATTENDED</u>	<u>ORGANIZATION</u>	<u>TELEPHONE</u>
C. Strong (Chairman)	8-9 Sept.	DLSSO-BI	274-7668
F. St. Mark (V. Chairman)	8-9 Sept.	DLSSO-BI	274-7667
M. Hoffman (member)	8-9 Sept.	Navy	697-0589
F. Bible (member)	8-9 Sept.	Air Force	8/787-3373
R. Patterson (member)	8-9 Sept.	Marine Corps	694-1600
M. Kelley (member)	8-9 Sept.	DLA	274-6193
D. Kringer (observer)	8-9 Sept.	Air Force	8/787/3373

JPIWG Meeting

8-9 September 1986

<u>Time</u>	<u>Date</u>	<u>Discussion Topic</u>
0900-0915	8 Sep 86	23-25 Jul 85 Meeting Minutes
0915-0930		DoD Physical Inventory Control Training Course
0930-1000		New Business
1000-1200		Proposed Changes to MILSTRAP Chapter 7
1200-1300		Lunch
1300-1600		Proposed Changes to MILSTRAP Chapter 7
0900-1200	9 Sep 86	Proposed Changes to MILSTRAP Chapter 7
1200-1300		Lunch
1300-1530		Proposed changes to MILSTRAP Chapter 7
1530-1600		Wrap Up

Encl 2



DOD PHYSICAL INVENTORY CONTROL  
TRAINING COURSE

DLSSO - BI

9/85

Encl 3

DOD PHYSICAL INVENTORY CONTROL TRAINING COURSE

WHY: GAO AUDIT REPORT - NOV 83 --

IDENTIFY THE TRAINING NEEDS OF  
DEPOT AND INVENTORY CONTROL POINT  
SUPPLY PERSONNEL AND SEE THAT  
TRAINING IS PROVIDED.

DOD PHYSICAL INVENTORY CONTROL  
PROGRAM PLAN - JAN 86 --

TRAINING IS A VITAL ASPECT IN IMPROVING  
INVENTORY ACCURACY.

DOD PHYSICAL INVENTORY CONTROL TRAINING COURSE

OBJECTIVE:

- TO TEACH THE DOD OVERALL CONCEPT OF PHYSICAL INVENTORY CONTROL.
- TO SHOW THE INTERRELATIONSHIPS OF THE DEPOT AND ICP PHYSICAL INVENTORY CONTROL PROCESSES.
- TO PROVIDE PRACTICAL EXERCISES INVOLVING INVENTORY CONTROL PROCESSES
- TO FAMILIARIZE STUDENTS WITH DOD PUBLICATIONS, TRANSACTIONS, AND REPORTS USED IN ACCOMPLISHING PHYSICAL INVENTORY CONTROL OVER DOD SUPPLY SYSTEM MATERIEL.

DOD PHYSICAL INVENTORY CONTROL TRAINING COURSE

- SUBJECT AREAS:
- DOD POLICY AND PROCEDURES ISSUANCES
  - CONTROL PROCESSES
    - ITEM SELECTION/SCHEDULING
    - PHYSICAL COUNT
    - CAUSATIVE RESEARCH
    - LOCATION SURVEY
    - LOCATION RECONCILIATION
    - QUALITY CONTROL
  - PRACTICAL EXERCISES
    - PHYSICAL COUNT
    - LOCATION SURVEY
    - CAUSATIVE RESEARCH

DOD PHYSICAL INVENTORY CONTROL TRAINING COURSE

COURSE STRUCTURE: • 3-5 DAYS (24-40 HOURS)

• RESIDENT INSTRUCTION

• MULTI-MEDIA

• PRACTICAL EXERCISES

• TESTING

DOD PHYSICAL INVENTORY CONTROL TRAINING COURSE

WHO: ALL DOD COMPONENT INVENTORY  
MANAGEMENT CAREERISTS  
(GRADES GS/GM 5-13)

# REPORT OF INVENTORY CONTROL EFFECTIVENESS

(Dollar Data Expressed in Thousands)

REPORT CONTROL SYMBOL

DD-A&L(Q)935

REPORTING ORGANIZATION	MATERIEL CATEGORY (X one)	QUARTER ENDING	FY _____ TO DATE
	AMMUNITION	_____	(year)
	GENERAL SUPPLIES		
<b>1. MATERIEL DENIALS</b>			
a. Line items directed for shipment			
b. Materiel denials			
c. Percent of materiel denials $((1b \div 1a) \times 100)$		%	%
<b>2. RECEIPT PROCESSING PERFORMANCE</b>			
a. Number of receipts stored and posted			
b. Number of receipts stored and posted on time			
c. Percent of receipts stored and posted on time $((2b \div 2a) \times 100)$		%	%
<b>3. LOCATION AUDIT PROGRAM</b>			
a. Number of storage locations surveyed			
b. Number of storage locations surveyed with discrepancies			
c. Location survey accuracy $(100 - (3b \div 3a \times 100))$		%	%
d. Number of location records reconciled			
e. Number of location records with discrepancies			
f. Location reconciliation accuracy $(100 - (3e \div 3d \times 100))$		%	%
<b>4. PHYSICAL INVENTORY PROGRAM</b>			
a. Total scheduled and unscheduled inventories completed			
b. Total with major inventory variances			
c. Major Inventory Variance Rate $(4b \div 4a \times 100)$		%	%
<b>5. MONETARY VALUE OF PHYSICAL INVENTORY PROGRAM</b>			
a. Average value of inventory		\$	
b. Record value of items inventoried		\$	\$
c. Value of inventory adjustments			
(1) Value of inventory gains		\$	\$
(2) Value of inventory losses		\$	\$
(3) Value of gross inventory adjustments $(5c(1) + 5c(2))$		\$	\$
(4) Value of inventory gain reversals			
(a) Reversal of current quarter gains		(\$            )	
(b) Reversal of prior quarters' gains		(\$            )	
(5) Value of inventory loss reversals			
(a) Reversal of current quarter losses		(\$            )	
(b) Reversal of prior quarters' losses		(\$            )	
d. Gross adjustments as a percent of:			
(1) Average value of inventory $((5c(3) \div 5a) \times 100)$		%	%
(2) Value of items inventoried $((5c(3) \div 5b) \times 100)$		%	%