



**DEFENSE LOGISTICS AGENCY  
HEADQUARTERS  
8725 JOHN J. KINGMAN ROAD  
FORT BELVOIR, VIRGINIA 22060-6221**

July 29, 2016

**MEMORANDUM FOR JOINT PHYSICAL INVENTORY WORKING GROUP**

**SUBJECT: Joint Physical Inventory Working Group (JPIWG) Meeting 16-02, June 29, 2016**

The attached minutes of subject meeting are forwarded for information and action, as appropriate. The minutes are available on the JPIWG Webpage <http://www.dlmso.dla.mil/programs/committees/jpiwg/jpiwg.asp>.

The Defense Logistics Management Standards Office (DLMSO) point of contact is Rafael Gonzalez, JPIWG Chair, 717-770-6817, DSN 771-6817 or email [rafael.gonzalez@dla.mil](mailto:rafael.gonzalez@dla.mil).

Heidi M. Daverede  
Director,  
Defense Logistics Management  
Standards Office

Attachment  
As stated

cc:  
ODASD(SCI)  
Supply PRC



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**MEMORANDUM FOR RECORD**

**SUBJECT:** Joint Physical Inventory Working Group (JPIWG) Meeting, June 29, 2016

**Purpose:** DLMSO convened a JPIWG teleconference on June 29, 2016 with representatives of ODASD(SCI) and DOD Components to discuss the latest topics impacting physical inventory procedures. The agenda, attendance list, briefings, and distributed documents are available in the JPIWG Webpage <http://www.dlmso.dla.mil/programs/committees/jpiwg/jpiwg.asp>.

**Brief Summary of Discussion:** Rafael Gonzalez, JPIWG Chair, facilitated the discussion.

**1. Opening Remarks.** Mr. Gonzalez, JPIWG Chair, provided opening remarks and Heidi M. Daverede, Director, DLMSO welcomed the participants to the meeting.

**2. Review Open Action Items**

**a. Validation of Requirements for Approved DLMS Change (ADC) 33, Revised Inventory Prioritization, December 6, 2000.** Mr. Gonzalez reviewed initial action items from the JPIWG 16-01 meeting regarding implementation status of ADC 33. Members discussed the changes to DLM 4000.25 Volume 2, Chapter 6, Physical Inventory Control, Page 12, paragraph C6.2.10.3.5. Distribution Standard System (DSS) is capable of accepting DLMS 846P Physical Inventory Request Transactions with Type of Physical Inventory/Transaction History Code I as part of a scheduled inventory initiated by owner based on owner's inventory prioritization methodology. DOD Components have not implemented this capability, as of the June 2016 JPIWG meeting.

Mr. Gonzalez clarified that this action item does not eliminate the DLMS 846P Implementation Convention (IC), rather only addresses the removal of 2/LQ01/270/FC Type of Physical Inventory/Transaction History Code I and associated business processes. DLMSO will proceed with the development of a Proposed DLMS Change (PDC) to remove the requirements currently included in DLMS Volume 2, Chapter 6, Materiel Returns, Retention, and Disposition, and the comparable MILSTRAP chapter. The DOD Components are to provide the DLMS Office with their responses during formal coordination. During the JPIWG 16-02 meeting, there was no opposition expressed for DLMSO to proceed with the draft PDC (Withdrawal of ADC 33). Participants were directed to the DLMS Website to review the full version of ADC 33. Action item 1 was re-defined and will remain open until Components provided feedback.

**Action Item 1: DOD Components to provide responses during formal coordination of the PDC. Status: Open**

**Action Item 2: DLMSO draft a PDC/withdrawal to remove Type of Physical Inventory/Transaction History Code I from the DLMS 846P IC. Status: Closed. Withdrawal of ADC 33 currently under internal review.**

**b. PDC 1222 Revision of Annual Chief Financial Officer's (CFO) Requirements under Inventory Prioritization.** PDC 1222 was released for staffing and responses were due by July 10, 2016. This change was documented in response to action item 2 from the February 25, 2016, JPIWG meeting. Action item 2 will remain open until all Component responses have been received.

Background from the JPIWG 16-01: DLM 4000.25, Volume 2, Chapter 6, and MILSTRAP Chapter 7, Physical Inventory Control, requires that each year's DOD CFO Annual Statistical Sample Report be provided to the JPIWG Chair for posting to the working group's Webpage. Current practices indicate that there is no need for this requirement as DLA Operations Research and Resource Analysis (DORRA) and DLA Distribution provide this information directly to all DOD Components. Troy Brown, DLA J345, stated that having the CFO report on the public DLMSO website could be considered Operations Security (OPSEC) non-compliance due to its content. The JPIWG Chair will develop an administrative change to remove this requirement from the DLMS manuals.

**Action Item 3: DLMSO to provide an administrative change to remove statement from DLMS manuals that requires CFO reports to be posted to the JPIWG webpage.**

**3. Inventory Accuracy Goals Review.** The Navy proposed a change in the General Supply Record Accuracy Goals to simplify the current requirements and eliminate Categories B (units of issue that may be non-definitive or difficult to measure or (on-hand balance greater than 50 and extended value less than \$50,000) or NSN activity (Number of transactions affecting balance in one year) greater than 50) and C (date of last inventory greater than 24 months and on-hand balance less than 50), due to existing Navy Enterprise Resource Planning (ERP) reporting challenges. Ben Wagner, Navy, added that Navy ERP does not have the capability to provide the level of granularity these two categories require.

The current Inventory Accuracy Goals and categories can be found in DLM 4000.25, Volume 2, Chapter 6, Physical Inventory Control, Table C6.T1, and MILSTRAP Chapter 7, Table C7.T1. Tony Sherman, USAF, provided statistics in favor of simplified goals, in response to the Navy proposal. Based on recent USAF research, ninety-nine percent of USAF materiel falls under categories A or D, and less than one percent belongs in categories B and C. The Office of Deputy Assistant Secretary of Defense (ODASD), Supply Chain Integration (SCI) and USAF representatives commented that it makes sense to reduce the goals to two categories and will not object to the proposed change.

Renea Burns, DLA, expressed concern with the proposal, stating that changes to the current goals would require major reprogramming in DSS to achieve the proposed stratification. Ms. Burns indicated that DLA maintains or manages the majority of the materiel in the DOD Supply Chain and should continue to provide inventory accuracy at the lowest levels. As a result, DLA does not concur with the proposed change and recommends to add a waiver for the Services instead of eliminating those categories from current MILSTRAP procedures.

In conclusion, Ms. Daverede proposed a change to DLM 4000.25 procedures for General Supply Accuracy Goals that would allow categories B and C to be optional; this will address DLA's concerns and support the Navy's request. Ms. Mulligan, ODASD(SCI) concurred and will support the PDC once drafted. Mary Jane Johnson, MILSTRAP Administrator, agreed with the optional approach, and noted that the JPIWG developed the existing goals with assistance from the DORRA and the DOD Inspector General, Quantitative Methods Division.

**Background:** JPIWG developed General Supplies Record Accuracy Goals in February 1998, in response to the Memorandum dated October 29, 1997. JPIWG initially developed six categories for the General Supply Record Accuracy Goals to include Classified/Sensitive and Pilferable. The group further refined the goals to only four categories, eliminating separate categories for controlled items. Navy asked for an exemption from incorporating the Inventory Records Accuracy Goal Category D (national stock number (NSN) activity great than 50 (NSN activity equals to the number of balance affecting transactions in one year). Navy indicated that their OCONUS depots, which have NSN activity greater than 50, will have transitioned to DLA before this goal can be implemented in Navy systems.

Deputy Under Secretary of Defense (Materiel and Distribution Management) (DUSD(L) MDM) agreed that Navy could exclude this requirement if it is not applicable to them, by adding a footnote to that effect when reporting their record accuracy goals.

**Action Item 4: PDC to be drafted by Tim Adkins and Mr. Wagner, Navy, proposing the expanded flexibility to the Services instead of restructuring current MILSTRAP business rules.**

**4. Open Discussion/New Topics:**

- a. DODM 4140.01 Announcements, Ms. Mulligan ODASD(SCI)**
  - i. Volume 11, DOD Supply Chain Materiel Management Procedures: Inventory Accountability and Special Management and Handling, is currently out for formal coordination through Washington Headquarters Services. Ms. Mulligan asked participants to review the publication changes in detail and provide comments to their primary representatives for inclusion in each coordinated Component response.
  - ii. Volume 9, DOD Supply Chain Materiel Management Procedures: Materiel Programs, is currently under legal sufficiency review.
- b. Inventory Control Effectiveness (ICE) Report Requirements.** DLMSO, in coordination with the JPIWG, seeks to further define the purpose of the ICE report to identify who uses the report and how ODASD(SCI) uses it today when provided by the Services. ODASD(SCI) will advocate the revision and potential changes to the ICE report criteria once PDC 1198, Establishing Visibility of Capital Equipment for Service Owned Assets Stored at DLA Distribution Centers under DOD Item Unique Identification (IUID) Supply Policy, is approved, but requests that Paul Blackwell, ODASD(SCI) Metrics representative, participate in further discussions.

**5. Upcoming DOD JPIWG Meetings in 2017.** Mr. Gonzalez thanked all participants for their attendance, continued support, and contributions to the JPIWG. The chair will announce the next date once a meeting schedule is set.

PREPARED BY:

APPROVED:

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Rafael Gonzalez  
JPIWG Chair

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Defense Logistics Management  
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