



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

June 10, 2016

**MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE (PRC) AND DOD
JOINT PHYSICAL INVENTORY WORKING GROUP (JPIWG) MEMBERS**

**SUBJECT: Proposed Defense Logistics Management Standards (DLMS) Change (PDC) 1222,
Revision of Annual Chief Financial Officer's (CFO) Requirements under Inventory
Prioritization (Inventory)**

We are forwarding the attached proposed change to DLM 4000.25, Defense Logistics Management Standards, and DLM 4000.25-2, Military Standard Transaction Reporting and Accountability Procedures (MILSTRAP), for evaluation and submission of a single coordinated DOD Component position. It is the responsibility of the Component Supply PRC and JPIWG representatives to ensure full coordination of the proposal within your Component.

Request you review the attached proposed change and provide your comments/concurrence to Defense Logistics Management Standards Office (DLMSO) not later than **30** days from the date of this memorandum. If nonconcurrence is provided, please provide an alternate method to meet the requirement being addressed.

Addressees may direct questions to Mr. Rafael Gonzalez, email: Rafael.Gonzalez@dla.mil; or Ms. Mary Jane Johnson, email: Mary.Jane.Johnson@dla.mil. Others may direct questions to their Service or Agency designated Supply PRC or JPIWG representative available at <https://www.dlmso.dla.mil/CertAccess/SvcPointsPOC/allpoc.asp>.

Heidi M. Daverede
Director
Defense Logistics Management
Standards Office

Attachment
As stated

cc:
ODASD (SCI)

Attachment to PDC 1222
Revision of Annual Chief Financial Officer's (CFO)
Requirements under Inventory Prioritization

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION:

- a. **Office:** Defense Logistics Management Standards Office (DLMSO)
- b. **Functional POC:** Mr. Rafael Gonzalez, DLMSO, email: Rafael.Gonzalez@dla.mil, (717) 770-6817; DSN 771-6817

2. FUNCTIONAL AREA:

- a. **Primary/Secondary Functional Area:** Inventory
- b. **Primary/Secondary Functional Process:** Inventory Prioritization

3. REFERENCES:

- a. [DoD 4140.01 Supply Chain Materiel Management Procedures](#), Volume 5 Delivery of Materiel
- b. [Defense Logistics Manual \(DLM\) 4000.25-2](#), Military Standard Transaction Reporting and Accountability Procedures (MILSTRAP)
- c. [DLM 4000.25, Defense Logistics Management Standards](#), Volume 2, Supply Standards and Procedures
- d. [JPIWG 16-01 Meeting Minutes](#), February 25, 2016

4. REQUESTED CHANGE(S):

a. **Brief Overview of Change:** Revise MILSTRAP (reference 3.a.) and DLMS Volume 2 (reference 3.b.) to remove requirements under Inventory Prioritization that requires each year's DOD CFO Annual Statistical Sample Plan to be provided to the Joint Physical Inventory Working Group (JPIWG) Chair for posting to the JPIWG Web Page. In addition, this change will document current practices regarding responsibilities for the distribution of the Annual CFO report.

b. **Background:**

(1) Current procedures for Inventory Prioritization require the Annual Chief Financial Officer's (CFO) report to be provided to the JPIWG Chair for posting to the JPIWG webpage. Although these requirements were published years ago as part of the Physical Inventory Controls procedures, these were never implemented and no CFO report was stored or published in the JPIWG webpage.

(2) Today, Defense Logistics Agency (DLA) distributes the report once a year to all Services. The DLMSO Website (where JPIWG webpage resides) is open to the public as other agencies outside of the Department of Defense use the DLMS. The CFO statistical sample results are reported directly to the Services by DLA in a timely fashion; therefore posting this feeder data is unnecessary. During the [February 25, 2016 JPIWG Meeting](#), working group members discussed and agreed that posting of the CFO report to the JPIWG webpage is no longer required.. As a result, the JPIWG Chair drafted this proposed change removing this requirement from MILSTRAP and DLMS Volume 2.

c. Requested Change in Detail:

(1) Revise current procedures under Inventory Prioritization to remove requirements for the CFO report to be posted in JPIWG website.

(2) Revise procedures under Inventory Prioritization to indicate responsibilities for the distribution of the Annual CFO report. Today, DLA distributes the report once a year to each applicable centralized Service point of contact. Based on current practices, this change will document that DLA is responsible for the distribution of the Annual CFO report to all Services. The report is specific to each Service.

d. Revisions to DLM 4000.25 Manuals:

(1) Revise DLM 4000.25-2, MILSTRAP, Chapter 7 (Reference C7.2.10.1.2.), CFO Statistical Sample Inventory as shown in the enclosure.

(2) Revise DLM 4000.25, DLMS Volume 2 Chapter 6 (Reference C6.2.10.1.2.), CFO Statistical Sample Inventory as shown in the enclosure.

5. REASON FOR CHANGE: During the JPIWG meeting on February 25, 2016, members determined that posting of the CFO report to the JPIWG webpage is no longer required.

6. ADVANTAGES AND DISADVANTAGES:

a. **Advantages:** Documents the existing process in the DLMS and legacy MILSTRAP manuals.

b. **Disadvantages:** There are no known disadvantages.

7. ESTIMATED TIME LINE/IMPLEMENTATION TARGET: Immediately after the release of the Approved DLMS Change (ADC).

8. ESTIMATED SAVINGS/COST AVOIDANCE ASSOCIATED WITH IMPLEMENTATION OF THIS CHANGE: There are no known cost savings as this process is not currently being used. This change will only serve to document current practices.

9. IMPACT:

a. **DLMS Data Elements**: There are no new DLMS data elements and no changes to existing DLMS data elements.

b. **Automated Information Systems (AIS)**: There is no impact to any systems as the previous requirements were never implemented.

c. **Transaction Services**: There are no changes to current transaction flows and mappings through Defense Automatic Addressing System (DAAS).

d. **Non-DLM 4000.25 Series Publications**: DOD Components must update internal guidance to comply with procedures delineated in this DLMS change.

ENCLOSURE to PDC 1222

A. Revise DLM 4000.25-2, MILSTRAP, Chapter 7 as shown (changes are identified by ***bold, red italics*** or double strikethrough)

[Preceding text not shown]

C7.2.10.1.2.2. Annual CFO Statistical Sample Inventory Guidelines.

C7.2.10.1.2.2.1. The items in storage will be stratified into dollar value categories to minimize the number of items requiring inventory while yielding results with the confidence level and precision required below. The dollar value stratifications used for sample will be included in the CFO Inventory Value Sample Plan for that year.

C7.2.10.1.2.2.2. Every item stored, regardless of owner/manager, within the extended dollar value strata identified in the Annual CFO Sample Plan for that year will have an equal probability of being selected in the sample and inventoried.

C7.2.10.1.2.2.3. The sample results will have a 95 percent confidence level and a level of precision within + (plus) or – (minus) 2.5 percent.

C7.2.10.1.2.2.4. DoD CFO Statistical Sample Inventory Plan. ~~Each year's DOD CFO Annual Statistical Sample Plan will be provided to the Joint Physical Inventory Working Group (JPIWG) Chair for posting to the JPIWG Web Page at: <http://www.dlmsc.dla.mil/Programs/Committees/JPIWG/JPIWG.asp>.~~ ***DLA will distribute the results of the DOD CFO Annual Statistical Sample Report to each applicable centralized Service point of contact.***

B. Revise DLM 4000.25, DLMS, Volume 2, Chapter 6 as shown (changes are identified by *bold, red italics* or double strikethrough)

C6.2.10.1.2.2. Annual CFO Statistical Sample Inventory Guidelines.

C6.2.10.1.2.2.1. The items in storage will be stratified into dollar value categories to minimize the number of items requiring inventory while yielding results with the confidence level and precision required below. The dollar value stratifications used for sample will be included in the CFO Inventory Value Sample Plan for that year.

C6.2.10.1.2.2.2. Every item stored, regardless of owner/manager, within the extended dollar value strata identified in the Annual CFO Sample Plan for that year will have an equal probability of being selected in the sample and inventoried.

C6.2.10.1.2.2.3. The sample results will have a 95 percent confidence level and a level of precision within + (plus) or – (minus) 2.5 percent.

C6.2.10.1.2.2.4. DoD CFO Statistical Sample Inventory Plan. ~~Each year's DOD CFO Annual Statistical Sample Plan will be provided to the Joint Physical Inventory Working Group (JPIWG) Chair for posting to the JPIWG Web Page at: <http://www.dlms.dla.mil/Programs/Committees/JPIWG/JPIWG.asp>.~~ ***DLA will distribute the results of the DOD CFO Annual Statistical Sample Report to each applicable centralized Service point of contact.***