

Inventory

22 December 2010

DLMSO

MEMORANDUM FOR RECORD

SUBJECT: Joint Physical Inventory Working Group (JPIWG) Meeting, November 17-19, 2009

Purpose: The Defense Logistics Management Standards Office (DLMSO) convened a JPIWG meeting, November 17-19, 2009, at the Defense Distribution Center (DDC), New Cumberland, PA. The agenda is at the enclosure. Meeting handouts and briefing materials are available as hyperlinks to the JPIWG agenda posted on the JPIWG web page at: <http://www.dla.mil/j-6/dlms0/Programs/Committees/JPIWG/JPIWG.asp>. The list of attendees is also available at the JPIWG web page.

Brief Summary of Discussion: Ms. Mary Jane Johnson, JPIWG Chair, facilitated discussion:

a. Proposed Defense Logistics Management System (DLMS) Change (PDC) 341A, Proposed Changes to DLMS and MILSTRAP to Address Owner/Manager Research of Inventory Adjustments (Accounting Error) (MILSTRAP D8B/D9B, DLMS 947I) (Supply/MILSTRAP).

PDC 341A addressed DOD Inspector General (IG) Report D-2008-090, Controls Over Reconciling Army Working Capital Fund Inventory Records, recommendations for MILSTRAP. The report contained recommendations for establishing requirements for owners/managers to research accounting inventory adjustments (MILSTRAP D8B/D9B(DLMS 947I)). The report stemmed from a DODIG review of Army; however, there were over-arching DoD recommendation to revise DoD 4000.25-2-M, MILSTRAP, guidance for performing the annual and end-of-day reconciliations of the storage activity's inventory records to the national inventory manager's records. Specifically,

- 1) Define the national inventory manager's responsibility for performing causative research to include identifying and correcting the duplicate, erroneous, or missing supply transactions causing the inventory accounting gain or loss adjustments.
- 2) Require national inventory managers to classify, analyze, and evaluate supply transaction errors to determine and correct the underlying system or operational deficiencies causing the errors.
- 3) Establish a timeframe for completing causative research of inventory accounting adjustments and processing any correcting transactions.
- 4) Require the national inventory managers to follow the same guidance and criteria for researching accounting adjustments resulting from both the annual and the end-of-day inventory reconciliations.
- 5) Require storage activities and inventory material managers to perform the annual inventory reconciliations during September, close to fiscal year's end. OSD proposed an alternate recommendation which suggested storage activities and inventory materiel managers perform the

annual reconciliation *before* storage activities perform their annual physical inventories (close to fiscal year end to comply with the Chief Financial Officers Act), to allow the mandatory 45 day clean-up period prior to fiscal year end.

All JPIWG Service members were required to discuss the report recommendations and their comments to the PDC. Comments [sent as of the meeting] by Service follow:

(1) DLA concurred with the following comments:

(a) The Services will need to provide a schedule for their reconciliation dates to DDC prior to the beginning of the fiscal year (FY). DLA further recommended that reconciliations be staggered during the first two weeks in July and proposed that the implementation effective date of this change be FY10.

(b) Rewrite C7.2.6.4. to "Owners/managers will input transaction history requests (Document Identifier (DI) Code DZJ) to the storage activity for data transmission, e.g., lost transactions, etc."

(c) Change C7.4.3.2. to "Owners/managers must complete mandatory causative research within 45 days from the date the adjustment transaction posted. If sample causative research is used as allowed by the Figure C7.F.1., Minimum Research Requirements, the sample causative research must be completed within 45 calendar days from the date the sample causative research listing is created."

(2) Army concurred with the following comments:

(a) Army has no ability to post reversal transactions in LMP. Further, due to significant changes in LMP, the volume of D9B/D8B adjustments will currently prohibit CECOM from performing causative research on all "B" adjustments, and therefore recommends doing causative research on a "sampling" of the "B" adjustments.

ACTION: By February 12, 2010

March 1, 2020 per MJ:

Army/Ms. Tonya Rabb to provide status update on ability to accomplish reversals in LMP; also Army must confirm that sampling logic in LMP is in accordance with DOD policy and that the dollar threshold table is also in LMP. Army is also required to address the annual reconciliation schedule and advise if they want a change from January.

OPEN

(3) ~~Navy neither concurred nor non-concurred~~, but provided comments synopsized below:

(a) Regarding DOD policy requiring Components ensure potential and/or actual inventory adjustments (accounting errors) are researched in accordance with the value of the adjustment and type of item involved (see Table 7.T2.). Ms. Emily Chiboroski/Navy indicated that while their procedures differ from the MILSTRAP requirement they believe they meet the intent of MILSTRAP. In this regard, Navy indicated they do not initially take the financial adjustment upfront/process the D8B/D9B unless they cannot resolve the discrepancy through research. Navy reported that end of day imbalances are resolved within 180 days. Until final resolution, Navy legacy systems use internal "ZZ1" transaction to notify finance of pending adjustment. Ms. Chiboroski further stated that Navy legacy systems use a Navy specific set of error codes to identify why a TIR did not process, vice MILSTRAP error classification codes (Appendix 2.16). Mr. Simpson/DLA J-33 reported that DLA had the same issue with SAP ("MBST" transaction).

ACTION: DLA/Mr. Terry Simpson will forward Navy the system change request DLA did to bring EBS in compliance with MILSTRAP. Don't know if that happened.

Navy input 12/11/09: It is the Navy policy to research and resolve all un-reconciled balances generated from end of day processing and annual reconciliations.

(b) Regarding use of Error Classification Codes (ECCs), Navy reported that both Navy legacy and future ERP systems would require changes to input an error classification code. No changes are being made to legacy systems and the ERP design is final. Navy will continue to evaluate this requirement and incorporate into a later spiral of ERP, if required.

Navy Comment: Both Navy legacy and future ERP systems would require changes to input an error classification code. No changes are being made to legacy systems and the ERP design is final. The Navy will continue to evaluate this requirement and incorporated into a later spiral of ERP if required.

Also of note, the Navy assigns errors to TIRs that fail to process. Failed TIRs are often the source of un-reconciled balances. These errors are monitored to identify problems with reporting activities.

C7.8.2.3.1. Owners/managers and storage activities will reconcile all records annually. The reconciliation will be performed prior to the Chief Financial Officer inventories in September. The annual reconciliation will be accomplished in accordance with paragraph C7.8.2.3.3.

Navy Comment: Location reconciliations are scheduled throughout the fiscal year to manage workload. Manpower constraints will not allow all the reconciliations to be performed immediately prior to the CFO inventories.

ACTIONS by February 12, 2010:

1. It is the position of the JPIWG Chair that use of ECCs is required by DOD. If Navy uses a different technique to accomplish this, Navy/Ms. Chiboroski is required to document their process and request a waiver from DOD policy.

NEW NAVY RESPONSE RECEIVED 2/16/10:

After reviewing the current MILSTRAP, it is the Navy's position that ECC's are required for physical inventory adjustments but not for inventory accounting adjustments. The MILSTRAP states that ECC's will be used on D8A/D9A's and may be used for D8B/D9B's. PDC 341A would require ECC for inventory accounting adjustments. This was not a requirement on legacy system or when Navy ERP was being designed. Also, the Air Force pointed out during the JPIWG meeting that the ECC's in the MILSTRAP are geared toward physical inventories. A different set of ECC's would need to be developed for accounting adjustments.

Currently, the Navy uses the attached error codes to manage failed TIRs. The failed transactions are then corrected via automated or manual means depending on the failure. Analysts use the TIR error codes to manage failed TIRs, as well as, find systemic problems and identify problems with particular TIRing activities. Failed TIRs are common cause for the generation of URBs. The use of TIR error codes aids in the resolution of open URBs and also prevents future URBs by identifying underlying system or operational deficiencies causing the errors. The Navy anticipates using a similar process in Navy ERP.

The Navy's current practice meets the intent of current DoD policy and the following recommendation put forth the Army audit:

- 2) Require national inventory managers to classify, analyze, and evaluate supply transaction errors to determine and correct the underlying system or operational deficiencies causing the errors.



TIR Error Codes.xls

2. Navy is further tasked to document how reversals will be handled in their ERP.

NAVY RESPONSE REC'D 2/16/10:

The GAO audit on the Army URB process recommended that the Army change their ERP system to allow for reversals of accounting adjustment. Specifically, GAO found that the Army would post an offsetting adjustment without re-inputting/correcting the supply transaction that created the inventory accounting adjustment. Secondly, the accounts that the Army used to post its offsetting adjustments affected the Gross Cost Line and Earned Revenue line on the AWCF Consolidated Statement of Net Cost.

Like the Army, the Navy ERP design does not include the capability to perform reversals on inventory accounting adjustments. Navy ERP uses offsetting adjustments instead of reversals. However, the method of posting offsetting adjustment differs from the process used by the Army. When a DZA/DZH is processed, it writes to a URB table. The table records the DZA/DZH quantity, the ERP quantity, and the difference between the two quantities including 0 differences. Analyst can identify URBs by screening all differences not equal to 0. For differences not equal to 0, a gain or loss posts to the pending URB account. The URB table will be updated by predated supply transactions. All supply transactions will be checked against the URB table to determine if they are predated or current. If the transaction is determined to be predated, a URB gain or loss will post to the URB table and adjust the difference field accordingly. The predated TIR will result in an offsetting adjustment posting to the pending URB account. Offsetting adjustments will only be posted as the result of entering the corresponding supply transaction. The pending URB accounts have no affect on financial statements.

If a URB cannot be resolved with 180 days (predated TIR does not come in through system or failed transaction cannot be found/corrected), the URB difference is written off and a gain or loss will be posted to the write-off account. These accounts do affect financials. Offsetting adjustments to the accounting adjustments posted to these accounts will be very rare. URBs can be automatically or manually written off. For a URB to be automatically written off, it needs to be a very small dollar value which does not warrant research and cannot be a controlled item. All other URBs require a manual write-off process which includes in depth research and approval at varying levels of authority depending on the dollar. Also, the 180 day window gives adequate time for any delayed supply transaction to process.

(4) Marine Corps neither concurred nor non-concurred, but provided the following comments:

(a) Marine Corps concurs with Navy position [Lou-MC concurred with Navy's original position. They were not on the email from Emily above rec'd 2/16/10]. Marine Corps further stated changes to USMC retail and wholesale inventory balance systems require that gain/loss transactions be reconciled before they are generated and vouchered appropriately. Requirements of this PDC would require modifications to legacy logistics AISs. However, it is the Marine Corps position that no changes will be made to legacy systems. MC will continue to

monitor and evaluate this requirement for incorporation into a later spiral release of GCSS-Marine Corps.

ACTIONS by February 12, 2010:

1. The JPIWG Chair re-stated that the policy found in MILSTRAP is DOD policy and is required. If Marine Corps uses a different technique to accomplish this, Marine Corps/CW5 Robin Gore is required to document their process and request a waiver from DOD policy.

OPEN

2. Marine Corps is further tasked to document how reversals will be handled in their future modernized system/ERP.

OPEN

(5) Air Force non-concurred and provided the following comments:

(a) Air Force disagrees with requirements of causative research to include the steps required and the timeliness to complete. The requirements in the new section of policy are similar to those required for physical inventory discrepancy research and adjustment reconciliation, which needs clarification in the supply and financial documentation. This PDC applies causative research procedures to the reconciliation of DSS and the Service systems. There are only a limited number of causes that can occur between two systems that would cause a discrepancy, e.g., timing, format errors, edit check failures, etc. In the majority of these will process in the next day or so and thereby "self-reconcile". Applying causative research on a daily basis will result in a lot of unnecessary expenditure of manpower.... Significant system changes would be required in order for the AF to effectively perform daily causative research on Inventory Adjustments. Due to the AF's future ERP system development, the current AF legacy systems will not be changed. The AF's ERP will require enhancements to existing requirements. At this time, it is unknown when the AF would be able to accommodate this DLMS change.

ACTIONS by February 12, 2010:

1. Air Force/Mr. Mel Cooper is tasked to verify whether the MILSTRAP/DLMS end of day location reconciliation requirements are being accommodated in their future modernized system/ERP.

Air Force Response Rec'd 2/11/10: The current process the Air Force uses to reconcile transaction has been baselined to our ERP. The process currently used provides the best use of Air Force resources at this time. When/if PDC 341A is approved, we will work with our ERP integration team to identify detailed requirements and work to include the end of day reconciliation requirements in to the ERP.

2. Air Force is further tasked to document how reversals will be handled in their future modernized system/ERP.

(b) Air Force currently does end of day and monthly reconciliations - but does not do causative research at all for the resulting D8B/D9B Inventory Adjustments. Even when doing annual reconciliations - AF does not do causative research "unless the error was huge". OSD strongly objected to the Air Force position regarding causative research, stating that it is the Air Force's fiduciary responsibility.

Air Force Response Rec'd 2/11/10: Currently the Air Force system will handle transaction reversals. The process used by our legacy systems has been baselined and included as part of our ERP requirements.

ACTION: By February 12, 2010 Air Force is required to report back to OSD and JPIWG Chair:

1. What dollar value would trigger Causative Research within Air Force?

Air Force Response Rec'd 2/11/10: Current causative research trigger for the Air Force is \$100,000. We believe the current DoD trigger of \$16,000 is too low and should be revised.

2. Does Air Force do Causative Research on controlled, sensitive, or NWRM items?

Air Force Response Rec'd 2/11/10: Yes

(c) Although broader in scope than just PDC 341A, the crux of the issue with the Air Force is that DSS reverses 35% of their adjustments. According to AF/Lorna Estep, even though adjustments are only 2% of the business, a 35% reversal rate is too high. Air Force indicates that the actual inventory problem/transaction error causing the discrepancy should be resolved during the pre-adjustment process and contends this type of research/action is being delayed by DSS to the causative research timeframe which is subsequent to the adjustment being sent to the owner and that this process results in an unacceptable rate of reversals.

ACTIONS:

1. OSD/Kathy Smith tasked Air Force to do analysis on the types of reversals, e.g., are they predominately one category? By February 12, 2010 Air Force is to report results of their analysis to OSD and the JPIWG Chair.

Air Force Response Rec'd 2/11/10: We have not completed our analysis of reversals at this point. AF requested extension until March 1, 2010.

OPEN

2. Additionally, Air Force tasked to demonstrate/quantify the impact on the owner caused by this high rate of adjustments/reversals by March 1, 2010.

OPEN

(6) OSD requested data on adjustments for Air Force for the past year **ACTION:** **By January 15, 2010, DDC to send FY09-4 data to JPIWG Chair and Ms. Smith/OSD for each Service and DLA. DDC to also send summary information which stratified adjustments by Service. See topic e below.**

COMPLETE: Received from DDC via DLA (Terry Simpson) 1/19/2010.

Email Re-named: "TOPIC 1 AND TOPIC 5: Fallout from Discussions of 341A and Causative Research Thresholds"



Service Adjustments
Rollup FY09.xls

NEW TASKING: Lou: MJ sent a subsequent email to all the Components asking for them to review this roll-up data and send a Service-coordinated position on what the dollar threshold should be for causative research; e.g., stay at \$16K or change to XXX.

DUE DATE: AUGUST 27, 2010

(7) The JPIWG Chair reiterated that the PDC was not written as a DLA initiative, but rather in response to the DOD IG recommendations stated in paragraph a above. To that end, **ALL COMPONENTS have an ACTION:**

...to document/summarize how their modernized systems/ ERPs will satisfy the intent of each of the DOD IG recommendations listed above. All actions assigned to specific Components above, along with this action specifically addressing the DOD IG recommendations, are due February 12, 2010, unless otherwise noted. (Army extension until March 1, 2010 per MJ)

Army: OPEN (hardy-har-har!)

NAVY RESPONSE REC'D 2/16/2010:

1) Define the national inventory manager's responsibility for performing causative research to include identifying and correcting the duplicate, erroneous, or missing supply transactions causing the inventory accounting gain or loss adjustments.

Current Navy policy is to research and resolve all URBs. The NAVICP is to trace the URB to an identifiable cause and make correction to the proper files (ie correct the duplicate, erroneous, or missing supply transaction). That policy will not change under ERP. The ERP design will allow for the correction of duplicate, erroneous, or missing supply transactions and resolution of URBs.

2) Require national inventory managers to classify, analyze, and evaluate supply transaction errors to determine and correct the underlying system or operational deficiencies causing the errors.

SAP provides the ability to monitor and track transaction errors. The mix of transactions and reports to be used for classifying, analyzing and evaluating transactions are in development/under review and will be determine as the Navy moves forward.

3) Establish a timeframe for completing causative research of inventory accounting adjustments and processing any correcting transactions.

Navy policy is to resolve all URBs as soon as possible in order to avoid follow on URBs which complicate the research process. All URBs are to be resolved within 180 days or a loss or gain is taken. An alternate time frame can be added to Navy policy if required by DoD policy.

4) Require the national inventory managers to follow the same guidance and criteria for researching accounting adjustments resulting from both the annual and the end-of-day inventory reconciliations.

Navy policy is to research all URBs this will not change under ERP.

5) Require storage activities and inventory material managers to perform the annual inventory reconciliations during September, close to fiscal year's end. OSD proposed an alternate recommendation which suggested storage activities and inventory materiel managers perform the annual reconciliation *before* storage activities perform their annual physical inventories (close to fiscal year end to comply with the Chief Financial Officers Act), to allow the mandatory 45 day clean-up period prior to fiscal year end.

The Navy will continue to schedule its reconciliations throughout the year to evenly distribute workload.

Air Force: OPEN

MC: OPEN

After receipt and review of Component input, OSD can go back to the DOD IG and re-butt any recommendation, if appropriate. DLMSO will review PDC 341A based on JPIWG

meeting discussion, and input received as a result of above actions, and revise and re-staff the PDC as appropriate. Lou: Bob V says Kathy/OSD has followed up on this a couple times. He is forwarding emails where MJ delayed until April, then to June (I'll send to you). But, as far as we know, PDC 341A is still a draft, and *most importantly*, we've not given OSD any material with which to rebut the IG.

(8) Sampling Methodology for Chief Financial Officers (CFO) Act.

a) During the PDC 341A discussion, Ms. Kathy Smith, OSD, mentioned that another group was looking at a standard methodology for sampling to satisfy the Chief Financial Officer's Act and recommended that all Components should look at that plan.

ACTION: By February 12, 2010, Mr. Simpson/DLA offered to provide the JPIWG chair the DLA and Air Force sampling plan associated with that effort to share with the JPIWG.

OPEN

b) Ms. Johnson noted that for several years the JPIWG had tried unsuccessfully to develop a statistical model that would meet requirements of both logistics and the CFO. In June 1997, the DODIG office agreed that the requirement to establish a single sample to satisfy both requirements was not feasible. The JPIWG then moved forward, with the assistance of the DODIG Quantitative Methods Division, to develop the General Supplies Records Accuracy Goals. The DODIG agreed, at that time, to pursue a separate sampling approach to satisfy dollar accuracy needs.

b. Maintaining Accountability During Maintenance. In 2006, Joint MILS Changes 12 (MILSTRAP) and 43 (MILSTRIP) were approved for immediate staggered implementation. These changes were developed for the purpose of providing more accurate DoD accountability for items undergoing maintenance, in response to DOD IG and GAO Audit reports identifying weaknesses in this area. However at the time the change was originally written, circa 1990, it allowed that for materiel scheduled for organic maintenance by DMISA, the agreement shall specify the materiel control requirements to include whether the material will be transferred to Maintenance with a MILSTRIP materiel release order transaction with the storage activity posting an issue using the appropriate DI Code D7 series transaction; or transfer the materiel to the maintenance activity based upon the repair schedule and report the transfer using MILSTRAP DI Code DAC transaction to transfer to SCC M. The JPIWG chair noted that the option to use a DAC transaction was inappropriate under AMCL 8A which placed accountability at the depot for assets in their custody; and stated she would develop a PDC to revise the current procedures to disallow use of the DI Code DAC for Component ERPs to move assets from a storage activity to a maintenance activity.

DDC reported that it appears the Services do use a MILSTRIP Materiel Release Order when directing the movement of the Service materiel to their own Service maintenance sites, but when they cross Service lines they digress to off-line processes. When the Services use these off-line processes, the DDC uses workarounds in an attempt to have accountability for the material. These involve the use of pseudo-RICs (1AA - Army; 4MM - Marines; 5NN - Navy) or transferring the material to condition code "M" via a DAC, and the use of either technique is undesirable. The JPIWG Chair and DLA would like to discontinue both of these practices. In short, these processes result in the material appearing on DSS records either under a pseudo RIC or in condition code "M" when in reality the material has been moved to a maintenance depot. Depending on subsequent actions between the owner and the maintenance activity, DSS could have incongruent and/or continuous open records .

A problem currently exists where "lots of material" at Tobyhanna Army Depot is on the DSS accountable record in condition code "M" which is managed by the Navy and Air Force. DSS would like a material release order (MRO) to move the material to the appropriate owner account.

ACTIONS:

1. Army took action to review problem at Tobyhanna and to forward appropriate MROs to move material to appropriate owner account, by ~~February 12, 2010~~ March 1, 2010 per MJ: OPEN

2. All Components to document what transactions will be used in their ERPs to send material to maintenance by DMISA, and provide to JPIWG Chair by ~~February 12, 2010~~. Air Force Response Rec'd 2/11/10: Our current process to include the transactions used to send material to maintenance by DMISA has been baselined to the integration team to be included in the ERP. The exact transactions used to send material to maintenance by DMISA in the ERP have not been identified. STILL OPEN

Army (~~X-Tension to March 1, 2010 per MJ~~): OPEN

NAVY RESPONSE REC'D 2/16/10:

Attached is the proposed Navy transaction flow to be used for DMISA repairs in ERP. The use of this transaction flow is dependent on coordination and concurrence with the other services.



Navy Preferred
Trans Flow.xls

Marine Corps: OPEN

3. Ms. Johnson will write and staff a proposal to eliminate the use of the DI Code DAC to Condition Code "M" as a means to indicate assets have moved from a storage activity to a maintenance activity in Component ERPs, by ~~March 1, 2010~~. OPEN

c. PDC 299A Revise the DOD Inventory Control Effectiveness (ICE) Report (General Supplies) and Revise Type Physical Inventory/Transaction History Code C and Add Code Z. This proposed change is being staffed to incorporate Component comments/changes requested to original proposal. All Components concurred with the amended proposal; however, the Air Force requested additional time to allow the Air Force JPIWG representatives time to review/comment.

ACTION: Air Force to provide PDC 299A comments by December 10, 2009.

[SUBSEQUENT TO THE MEETING: ACTION closed. On December 1, 2009, Mr. Cooper, Air Force JPIWG representative, provided comments to PDC 299A.]

d. PDC 375, Revise DoD Physical Inventory Requirements to Allow Annual Complete Inventories, Either Through Cycle Counting or Wall to Wall Methods, as Alternative to Statistical Sampling, and to Waive Location Survey Requirement When Performing Annual 100 Percent Inventories Through Cycle Counts or Wall to Wall Methods. This PDC is a Navy proposal to allow storage activities to perform annual 100 percent inventories through cycle counts or wall-to-wall methods as an alternative to statistical sample inventories. The major discussion point of this PDC involved the term "Cycle Counts" and its definition. Previous definitions left it open to interpretation whether or not "Cycle Counts" would be sufficient to allow the waiver being

sought by Navy. In essence, during the meeting, the Navy indicated that their intent, regardless of the terminology used in the PDC, would be to perform a physical inventory of all items and locations (including locations on their records listed as empty) at least once per year, waiving the need for location survey. In general, all Components agreed with the concept.

ACTION: Ms. Chiboroski/ Navy agreed to revise the PDC as discussed at the meeting, to include removing "cycle counts", and to resubmit the PDC to DLMSO for appropriate staffing. Upon receipt of the revised PDC, DLMSO will staff it as PDC 375A.

e. Army Topics:

1) **Status of Report Approved by ADC 255, Storage Activity Accountability to Service Materiel Owners.** **BACKGROUND:** ADC 255 was developed by the JPIWG because there had been no DoD (MILSTRAP/DLMS) requirement for an owning Service to receive an explanation of the losses, gains or reversals against their assets; the Services only received DI Code D8_/D9_ or DS 947I Inventory Adjustment transactions which they use to update the asset balance and financial records. Therefore, the Services had no knowledge of why assets they had considered in their materiel requirements planning were not available for their needs when required. This change was written to develop a mechanism by which the storage activity would send quarterly summary results of causative research for each stock number involved to material owners and to the Depot Commander of the storage site involved. The mechanism is the ADC 225 Report. **DISCUSSION:** Mr. Simpson/DLA indicated that one quarterly report had been sent out and the second report was about to be sent out. Mr. Ron Bepko, Army, requested that the report be provided to multiple Army POCs. DLA was reluctant to be responsible for Army distribution of the report and the JPIWG chair stated that one POC per Service was the ADC 255 requirement. Ms. Smith, OSD, recommended that Army (and all the Components) consider establishing an email "Service Organizational Mailbox" to which the DDC could send future quarterly reports. The Services could allow as many of their Service POCs to access that mailbox as they required; change POCs when required; and it could be used for more than just the ADC 255 report.

ACTION: As an interim, while Components establish the Service Organizational Mailbox account, DLA agreed to send the next ADC 225 Report to the JPIWG representative for each Service, in addition to the single report POC previously established for the report. This will be done for one report cycle only. After which the report will be provided to the organizational mailbox the Service establishes. In the absence of an organizational mailbox, the report will revert back to being provided to the single POC for that Service.

ACTION: By February 12, 2010, recommend each Component establish an organizational mailbox to be used for the reports, and report the email address back to the DLA JPIWG representative (Mr. Simpson) and the JPIWG Chair. If not establishing an organization mailbox for the reports, report that fact back to Mr. Simpson and Ms. Johnson.

Air Force Response Rec'd 2/11/10: COMPLETE

Address is: 401.scms.workflow@wpafg.af.mil Attention: 401 SCMS/GUMC

Army Response Rec'd 2/11/10: COMPLETE

Address is: AMCOP-SLA-Personnel@conus.army.mil

Navy: OPEN

Marine Corps: OPEN

2) Review of MILSTRAP/DLMS Causative Research dollar threshold \$16,000 for possible revision.

(a). An action from the June 2008 JPIWG meeting was for DLA to provide DLMSO statistics on the number of causative research inventory adjustments, for a given timeframe, on varying thresholds. Suggested thresholds at the time were: >16K, >25K, >30K, and >40. Upon receipt of this information, the JPIWG Chair would provide this information to the JPIWG Committee for their consideration on possibly adjusting the causative research threshold. This action remains OPEN. DDC reported that they are working it now and it will be stratified within Service using those dollar thresholds (to include a >50K \$ threshold) and will display for each threshold: number of causative research inventories, percent of total causative research inventories, dollar value of causative research inventories and percent of total dollars. **ACTION: By February 12, 2010, DLA (DDC) provide results this effort to JPIWG Chair. COMPLETE. See email 1/19/2010 from Terry Simpson RE-NAMED: "TOPIC 1 AND TOPIC 5: Fallout from Discussions of 341A and Causative Research Thresholds"**

(b). As part of the above discussion, the Air Force raised the issue of the relevancy of high dollar value adjustments to the requirement for causative research and suggested a sampling technique may yield the desired results. In this regard, the Air Force tendered the position that the research and correction of the transactions causing any imbalance between the physical location count and the accountable record is to be resolved during the pre-adjustment research phase of the process. So the fix of any large dollar value adjustment should be made before any causative research begins. Further they indicated causative research is to identify the cause of repetitive errors and corrective action of same and that these errors are process specific, not dollar threshold specific, that is, they can occur on a low dollar adjustment as well as a high dollar value adjustment. DDC pointed out that the pre-adjustment research is only part of physical inventory mis-matches/imbances and that there are additional processes, such as denials, re-warehousing and certain receipt/stow processes that do result in an immediate adjustment without any pre-adjustment reach at all. For all of these, concentrating on the higher dollar value thresholds for causative research may catch the actual error causing the high dollar adjustment as well as the underlying cause. Further discussion of these points may be germane to the continuing discussion on the thresholds/trigger for causative research.

f. Air Force Topic: Worldwide Asset Inventories. Air Force representatives presented a briefing on Worldwide Asset Inventories. This discussion resulted from a data call for a world-wide inventory of Nuclear War Reserve Material (NWRM) assets. Since it is the intent of the Department for the Air Force to manage all NWRM items, the concern within the AF is their perceived lack of specific policy for such items. The AF was specifically concerned with AF managed NWRM (and classified and sensitive) stored in DLA warehouses and their fear that DLA may not be responsive to AF inventory requests in a timely manner. Regarding the AF's perceived lack of policy, Ms. Johnson noted that the draft of the DoD 4140.01M, Volume 11, specifically addresses management of these types of items and suggested the AF review and comment. Washington Headquarters Services had just released the draft DODM the week prior to the meeting, for Component review. In addition, the AF representatives were directed to the rules currently in MILSTRAP/DLMS, especially rules for ICPs requesting inventories at storage sites by NSN (DJA/846P processes). AF should compare those rules to their requirement and if there appears to be a deficit, AF should write a proposed change and forward to DLMSO for official staffing.

I've sent you this briefing. No actions were assigned to AF other than to review current policy and let MJ know if they found current policy failed to meet their needs. Also AF was to provide any example of DSS being "non-responsive" to their inventory requests.

g. Item Unique Identification (IUID) Status Update – OSD Workshops and Joint Logistics Board (JLB) IUID Task Force. There is emerging logistics policy for intensive management by unique item identifier (UII) of a subset of IUID items (classified, sensitive, NWRM). Kathy Smith/OSD presented a briefing to the JPIWG Committee on the on-going IUID workshops and JLB Task Force:

(1) SCI led a series of IUID Workshops from February – May, 2009, to document requirements for IUID policy in the functional areas of: receipt, physical inventory, issue, disposal, directed returns/retrograde/material returns program and discrepancy/deficiency processing. These requirements will be used to build business rules, with the basic premise that transactions used for the exchange of IUID data will be DLMS compliant.

(2) In July 2009, a JLB IUID Task Force (TF) was formed. The TF identified three Value Chains: Intensive Item Management (IIM); Property Accountability; and Product Life Cycle Management. Ms. Smith/SCI is lead for the IIM Value Chain. The IIM value chain identified a detailed requirements set across logistics nodes, which built upon the requirements established during the IUID Workshops. The TF will take requirements documented in a series of TF meetings and develop a set of integrated, prioritized and time-phased requirements for IUID marking, tracking and use across all value chains, along with any recommended policy and guidance adjustments and present to the Joint Logistics Board in January 2010.

h. Development of Draft PDC for Inventory IUID Business Rules. The group, under the leadership of Ms. Johnson, reviewed the business process steps developed for the March 24, 2009; "IUID in the Supply Chain, Physical Inventory by UII" Meeting as a starting point to discuss more detailed business rules that would be required for a PDC. The following lists ideas addressed for consideration in the PDC, but are not intended to indicate discussion was completed and /or agreement reached.

(1) The salient discussion point relative to the physical count by UII at the storage site not matching the accountable record by UII was the possible requirement for pre-inventory research and/or causative research to perform a "bare metal" tag read in lieu of the label read in an attempt to resolve.

(2) Additional discussion concerned the resulting physical inventory adjustment transactions by UII (D8A/D9A version of the 947I) sent to the owner and the further possible complications when these inventory adjustments result in mis-matches with the owner record. A possible minimum requirement, if they don't match, will be the ICP being required to request another inventory (DJA/846P). It was suggested that DLMSO document, in the draft PDC, the possible mis-match scenarios and make it a requirement for the Services to indicate the actions required to resolve each. Possible scenarios included the loss transaction not matching a UII already on the owner record, the gain transaction already matching a UII on the owner record, and the gain or loss transaction not matching the UII on the owner record for that storage site but matching a UII on the owner record for a different storage site.

(3) Also discussed is the condition when there is no net quantity change based on the inventory, however, there is offsetting UII mis-matches. Suggestions were to handle this by the submission of both D8 and D9 type 947I transactions for the same NSN or perhaps the

development of a new transaction reason/action code for the 947I. The draft PDC may poll the Services on these two techniques.

(4) Finally, location reconciliation (D8B/D9B version of the 947I) UII mismatches to the owner record, based on end of day/annual record to record matches, were discussed. Possible requirements included a manual records review by the ICP regardless of the level of sophistication of the systemic records research and the requirement for an inventory request (DJA/846B) when systemic and manual records research do not resolve the discrepancy.

Also to be considered in the PDC development is the draft DOD 4140.01-M, Volume 11, IUID policy and the JLB Task Force IIM Value Chain Integrated Requirements Set. Ms. Johnson provided the group an advance copy of Volume 11 which she noted may have been modified by WHS editorial comments before being finalized for staffing with the Components; the version as staffed is available from the OSD SCI website; all comments to DOD 4140.01-M must be submitted through appropriate Component channels. During the meeting Ms. Johnson provide the JPIWG the URL to the SCI website for viewing the draft DODM which was out for staffing. Ms. Johnson also provided the group an early version (August 2009) of the IIM Integrated Requirements Set. Ms. Smith agreed to provide a more current set to Ms. Johnson.

ACTIONS:

1. Ms. Smith/OSD will provide an updated IIM Value Chain Integrated Requirements Set to the JPIWG Chair to share with the group.

If Kathy sent the updated one, I do not have it. I asked Bob V and he's sure she has sent later versions, but he is unable to find. We'll have to talk to MJ. I've sent you the email with the set discussed at the meeting, but Kathy told us at the meeting there was a later version. Sorry I can't find this one...®

2. DLMSO will develop a draft PDC for Inventory IUID requirements for JPIWG review by March 1, 2010.

I don't believe there has been any forward movement on this for two reasons:

(1) Kathy has not had another IUID Workshop meeting

(2) MJ&E (and RA, Bob V, etc.) have been tied up with BRAC PDCs (both Navy and MC) which we were told was PRIORITY #1

i. Status Update on DLMSO Publications:

(1) New Defense Logistics Manuals (DLMs). Ms. Johnson advised that WHS had formally staffed draft DoD Instruction (DODI) 4140.01 with the Components, with responses due by 18 Nov 2009. Through the efforts of DUSD(L&MR)SCI, the DODI will authorize the publication of the DLMS manual and the Defense Logistics Standard System (DLSS) manuals (aka MILS) as Defense Logistics Manuals (DLMs). The DLMs are a new type of DOD-Level publication which provide relief from the new stylized manner which WHS mandates DOD manuals be displayed. Changing the DLSS/DLMS manuals to DLMs does not change the authority of these manuals; they are applicable DoD wide and compliance is required. Once the DODI is approved, DLMSO will send the DLMS manual and select DLSS manuals (i.e., MILSTRIP, MILSTRAP, MILSBILLS) for publication as DLMs. The DLMs will incorporate numerous ADCs which have not been published in DLMS/DLSS pending authorization to publish as DLMs. IAW the draft DODI, the DLMs are required to be published within 180 days of approval of DODI 4140.1. Once published, the DLMs will be available from the DLMSO website only. In addition, DLMSO will make the draft DLMs, as sent to publications, available from the website. This is significant since

the ADCs which have been held in abeyance for the past 1-2- years, will be incorporated in the DRAFT DLMSs thereby providing access to more up-to-date procedures.

(2) **DLMSO Initiative to Combine the Defense Logistics Standard System (DLSS) (aka MILS) Manuals with the DLMS Manual.** The current process of maintaining two sets of publications (DLMS and DLSS), which contain essentially the same information for the different formats, is resource intensive, duplicative in nature, and no longer practical. Therefore DLMSO has an initiative to combine the DLSS manuals with the DLMS publication. This is an ongoing, multi-step process. The briefing provided detailed information on the status to incorporate the various DLSS publications into the DLMS manual. As the MILSTRAP Administrator, Ms. Johnson noted that significant progress has been made towards revising DLMS Volume 2 chapters related to MILSTRAP for a combined DLMS-MILSTRAP manual. Once all MILSTRAP-related DLMS chapters have been updated for a combined manual, DLMSO will issue a formal change to the DLMS DLM, Volume 2. At that time, DLMS Volume 2 will be reorganized and divided into distinct sections for DLMS-MILSTRIP, DLMS-MILSTRAP, and DLMS-SDR. Also at that time, DLMSO will cancel the stand alone MILSTRAP DLM.

j. **Advance Copy of Draft DoD 4140.01-M, Volume 5.** Ms. Johnson provided the group the advance copy of draft DOD 4140.01-M Volume 5 and noted that it included sections of particular interest to the JPIWG to include, but not limited to, Physical Inventory Control Program (PICP), accountability during maintenance, intransit accountability, and the JPIWG Charter. As noted at paragraph h. above, this was an advance copy which may have been modified by WHS editorial comments before being finalized for staffing with the Components; the version as staffed is available from the OSD SCI website; all comments to DOD 4140.01-M must be submitted through appropriate Component channels. During the meeting Ms. Johnson provide the JPIWG the URL to the SCI website for viewing the draft DODM which was out for staffing.

k. **Evaluate requirement for DZB/888I (Storage Item Data Correction/Change) – Propose the Service Inventory Control Points (ICPs) go directly to FLIS to correct records.**
BACKGROUND: MILSTRAP Document Identifier (DI) Code DZB Storage Item Data Correction/Change transaction was developed in the early 1970s to provide a means for an ICP to provide data corrections to storage activities. ICP sends DZB to storage activity to change specific cataloging data elements: stock/part number, unit of issue, shelf-life code, controlled inventory item code, and demilitarization code. DLMS 888I is the DLMS equivalent of DI Code DZB. At previous JPIWG meetings DLA/DDC proposed that the DZB be discontinued from being sent to DSS and that ICPs go directly to FLIS to correct records since DSS maintains an interface with FLIS. No PDC has been submitted by DLA based on these previous discussions. **DISCUSSION:** DLA indicated that when they receive a DZB transaction they query FLIS, and if FLIS information differs from the DZB, DSS uses the information from FLIS as the authoritative source for cataloging data. DSS will not change to the DZB information if it differs from FLIS. A significant number of times, the DZB data does differ from FLIS, and the ICP may send repeated DZBs to the storage activity for that NSN without interrogating/updating the FLIS authoritative source. DLA therefore recommends that the ICP process require a FLIS interrogation rather than a DZB. If FLIS is in error, then the ICP should send associated item data changes or updates to FLIS. DLA further noted that the DSS maintains direct connectivity to FLIS and regularly reconciles with FLIS records under the following conditions: (1) every time a balance affecting transaction processes against an NSN; (2) whenever an item manager changes FLIS catalog data for an NSN; (3) upon receipt of a DZB transaction; and (4) at least annually. FLIS is the DOD mandated repository for item data characteristics. The Services pointed out that this transaction is still required for local stock numbers (LSNs) stored in DSS and that ICPs will need a way to inform DSS on NSNs when the ICP record agrees with FLIS and DSS somehow

has an error condition. Tentative agreement was reached that the ICP would go to FLIS when a depot transaction contained catalog data that differed from the ICP record and fix the data in FLIS if it is incorrect. Further, the DZB/888I transaction would only be used to notify the depot that FLIS was checked and there is still an error condition on the depot transactions or when data updates are required for LSNs.

ACTION:

- 1. DLA, Mr. Simpson, to submit a PDC to DLMSO to pursue this change.**
- 2. By February 12, 2010, DLA/DDC to provide the volume of DZBs they receive, by Service, to the JPIWG Chair to share with the group. OPEN**

l. Depot Tour. On the final morning of the meeting the DDC arranged an interesting and informative 90 minute depot tour for the JPIWG.

m. NEXT MEETING: Ms. Johnson thanked the DDC and DLA for hosting the meeting and arranging the depot tour, and thanked all the participants for their attendance, continued support, and contributions to the JPIWG. The date of the next meeting will be established at a future date.