



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

May 17, 2016

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

**SUBJECT:** Proposed Defense Logistics Management Standards (DLMS) Change (PDC) 1216,  
Evidence Retention Responsibilities under DOD's Physical Inventory Control  
Program (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](mailto:Rafael.Gonzalez@dla.mil); or Ms. Mary Jane Johnson, email: [Mary.Jane.Johnson@dla.mil](mailto:Mary.Jane.Johnson@dla.mil). Others may direct questions to their Service or Agency designated Supply PRC or JPIWG representative available at <https://www2.dla.mil/j-6/dlmsocertaccess/svcpointspoc/allpoc.asp>.

DONALD C. PIPP  
Director  
Defense Logistics Management  
Standards Office

Attachment  
As stated

cc:  
ODASD (SCI)

# **Attachment to PDC 1216**

## **Evidence Retention Responsibilities under DOD's Physical Inventory Control Program**

### **1. SERVICE/AGENCY AND POC INFORMATION:**

**a. Requesting Activity:** Office of the Deputy Assistant Secretary of Defense Supply Chain Integration (ODASD(SCI))

**b. Functional POC:** Mr. Rafael Gonzalez, Joint Physical Inventory Working Group (JPIWG) Chair, DLMSO, email: [Rafael.Gonzalez@dla.mil](mailto:Rafael.Gonzalez@dla.mil), (717) 770-6817; DSN 771-6817

**2. FUNCTIONAL AREA:** Inventory

### **3. REFERENCES:**

**a.** Defense Logistics Manual (DLM) 4000.25-2, [Military Standard Transaction Reporting and Accountability Procedures \(MILSTRAP\)](#).

**b.** DLM 4000.25, Defense Logistics Management Standards, [Volume 2, Supply Standards and Procedures](#).

**c.** National Archives and Records Administration (NARA) [General Records Schedule](#) (GRS)

### **4. REQUESTED CHANGE(S):**

**a. Brief Overview of Change:**

(1) Revise the instructions for retention of accountable documentation under the physical inventory control procedures to clarify that the existing responsibilities apply to both the materiel owners and storage activities, as applicable.

(2) Provide clarification regarding retention of research documentation applicable to accounting error inventory adjustments associated with the location reconciliation process.

**b. Background:**

(1) During a Financial Improvement and Audit Readiness (FIAR) review, the Air Force identified the need for further clarification of responsibilities for evidential matter as part of the location reconciliation process. DLM 4000.25-2, MILSTRAP (Reference 3.a.), and DLM 4000.25, DLMS, Volume 2 (Reference 3.b.), provide instructions for retention of accountable documentation in support of audit requirements. Current instructions apply to both the owners and storage activities, as applicable. However while this applicability is implicit, it was not explicit in the text. As a result, the Air Force recommended a revision to MILSTRAP to address this concern and clearly state that the responsibility for evidence retention applies to both the storage activities and the materiel owner.

(2) The authoritative source for records retention is the Component's applicable NARA-approved Component Records Disposition Schedule or the NARA GRS (Reference 3.c.).

Components must retain and/or dispose of records in accordance with reference 3.c. DLMSO is developing PDC 1151, Update to Document Retention Periods in DLM 4000.25 Series of Manuals, to document the NARA-approved Component Records Disposition Schedule or the NARA GRS as the authoritative source for document retention.

**c. Requested Change in Detail:** Revise current procedures to clarify that the MILSTRAP/DLMS physical inventory control responsibilities for document retention apply to both the owner and the storage activity, as applicable. It is the responsibility of both the storage activity and materiel owner to retain evidential matter, as applicable, to support inventory adjustments/corrections due to a discrepancy on inventory records between the storage activity and the owner.

**d. Revisions to DLM 4000.25 Manuals:**

(1) Revise DLM 4000.25-2, MILSTRAP, Chapter 7, Physical Inventory Control, paragraph C7.9, Retention of Accountable Documentation, as shown in the enclosure.

(2) Revise DLM 4000.25, DLMS Volume 2 Chapter 6, and Physical Inventory Control, paragraph C6.9. Retention of Accountable Documentation, as shown in the enclosure.

**5. REASON FOR CHANGE:** Current physical inventory control procedures under MILSTRAP and DLMS would benefit from clarification in terms of responsibilities for evidential matter when a discrepancy is identified between the storage activity and the materiel owner records. Further, MILSTRAP retention of accountable documentation for inventory adjustments does not specify applicability to accounting error inventory adjustments (legacy DIC D8B/D9B); it only addresses physical inventory adjustments (legacy DIC D8A/D9A).

**6. ADVANTAGES AND DISADVANTAGES:**

**a. Advantages:** Updates to MILSTRAP and DLMS publications will provide improved clarification regarding the responsibilities for accountable document retention under the physical inventory control procedures.

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

**7. ESTIMATED TIME LINE/IMPLEMENTATION TARGET:** Effective immediately upon release of ADC. This revision clarifies the existing intent of the physical inventory control procedures for document retention to support audit requirements.

**8. ESTIMATED SAVINGS/COST AVOIDANCE ASSOCIATED WITH IMPLEMENTATION OF THIS CHANGE:** There are no direct cost savings identified.

**9. IMPACT:**

**a. New DLMS Data Elements:** There are no new DLMS data elements

**b. Changes to DLMS Data Elements:** There are no changes to existing DLMS data elements.

**c. Automated Information Systems (AIS):** There is no known systemic impact as a result of this change in procedures. However, Components will need to evaluate their systems to identify any

potential impact and ensure compliance. DLM 4000.25 and DLMS 4000.25-2 will clearly define the responsibility of evidence retention for storage activates as well as materiel owners as applicable.

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

**e. Non-DLM 4000.25 Series Publications:** DOD Components must review and update as appropriate any internal guidance to comply with procedures delineated in this DLMS change.

## ENCLOSURE to PDC 1216

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

C7.9. RETENTION OF ACCOUNTABLE DOCUMENTATION. Audit capability is required for a period of time following the processing of documents and data and completion of the research effort. The following ~~retention criteria will~~ **business rules** apply **to storage activities and owners, as applicable**:

C7.9.1. Source Documents. Retain original source documents or facsimiles **in a readily accessible format** (~~microform (microfilm, microfiche), Compact Disk Read Only Memory (CD-ROM)~~) for at least two years. Where source documents are produced, these include only accountability change documents such as receipts, issues, shipments, transfers, SCC changes, and inventory and financial adjustments. Retain source documents providing evidence of shipment to FMS recipients for two years (**see DoD 5105.38-M, Security Assistance Management Manual**) from date of materiel shipment.

C7.9.2. Transaction Histories. Retain registers, records, files, tapes, and data for at least two years in a format useful for audit trail purposes. Automated inventory control systems will be designed to facilitate the printout of transaction histories that indicate the date the last physical inventory was conducted for each item.

C7.9.3. Adjustment Research. Retain backup documentation that directly pertains to individual cases of ~~physical~~ inventory adjustment research efforts **in a readily accessible format** for at least two years (**to include physical inventory and accounting error adjustments**).

C7.9.4. Annual Statistical Sample. Retain the annual statistical sample inventory line item detail data **in a readily accessible format** for at least two years.

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

C6.9. RETENTION OF ACCOUNTABLE DOCUMENTATION. Audit capability is required for a period of time following the processing of documents and data and completion of the research effort. The following ~~retention criteria will~~ *business rules* apply *to storage activities and owners, as applicable*:

C6.9.1. Source Documents. Retain original source documents or facsimiles *in a readily accessible format* (~~microform (microfilm, microfiche), Compact Disk Read Only Memory (CD-ROM)~~) for at least two years. Where source documents are produced, these include only accountability change documents such as receipts, issues, shipments, transfers, SCC changes, and inventory and financial adjustments. Retain source documents providing evidence of shipment to FMS recipients for two years (*see DoD 5105.38-M, Security Assistance Management Manual*) from date of materiel shipment.

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C6.9.4. Annual Statistical Sample. Retain the annual statistical sample inventory line item detail data *in a readily accessible format* for at least two years.