

DLMSO-MM

16 JUN 1995

MEMORANDUM OF MEETING

SUBJECT: Summary of DoD Joint Physical Inventory Working Group (JPIWG)
Meeting, 16-18 May 1995

I. **PURPOSE:** Subject meeting was convened at 0900 hours, 16 May 1995, at 6301 Little River Turnpike, Alexandria, VA. The group discussed the FY 94 Report to Congress on Security and Control of DoD Supplies, DoD 4140.1-R, DoD Materiel Management Regulation, Inventory Control Effectiveness (ICE) Report Reviews, Implementation of Approved MILSTRAP Change Letter (AMCL) 8A, Proposed Physical Inventory Program for BRAC Closure Sites, Statistical Inventory Sampling Methodology, Service Unique Inventory Requirements, Causative Research Procedures, and draft procedures for a Quality Control Program. A list of attendees is at Enclosure 1.

II. **BRIEF SUMMARY OF DISCUSSION:**

A. The JPIWG Chairman opened the meeting with administrative remarks and introductions. The chairman provided the attendees copies of the JPIWG Focal Point listing and requested they provide any additions or deletions prior to the close of the meeting.

B. Mr. Randy Fowler, DoD ADUSD(L)MDM, presented a briefing on the FY 94 Report to Congress on Security and Control of DoD Supplies. Mr. Fowler also provided copies of the report to the attendees. Mr. Fowler stated that he was making an assumption that this would probably be the last report for Congress and, in making that assumption, he recommended the JPIWG conduct ICE Report reviews, insure full implementation of AMCL 8A, and develop/provide a statistical inventory sampling strategy.

C. Mr. Fowler informed the group that his office was planning to begin a comprehensive review of DoD 4140.1-R, DoD Materiel Management Regulation, in June 1995. The current inventory policy for item accountability is unclear in regard to assets in transportation; assets in depot maintenance, and for retail assets. The accountability policy should be crystal clear in regard to what activity is accountable,

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who is the accountable officer, and what/where is the accountable record. The JPIWG representatives were requested to review DoD 4140.1-R, chapter 5, and provide their recommended changes direct to Ms. Sherry McNeil, DoD ADUSD (L) MDM, commercial (703) 693-5717.

D. During the discussion of accountability, the Army brought up a problem on financial liability when transfer of accountability is made to the depot upon implementation of AMCL 8A. DoD 4140.1-R is not clear on who assumes financial responsibility/liability on losses/gains when the depot has accountability for the assets. The Army provided a draft paper on this problem to Ms. McNeil who agreed to develop a position paper linking material accountability with financial liability. Ms. McNeil will coordinate the position paper with DLA (MM) and then contact the Defense Business Operations Fund (DBOF) corporate board to resolve this issue.

E. ICE Report Reviews. OSD recommended that, assuming the annual report to congress is no longer required, the group become more involved in the ICE report process in order to assess performance levels, trends, accomplishments, problem areas, and possible policy/procedural changes. OSD presented the following options to the group for consideration in establishing periodic reviews of the report. The group members are to review these options and provide a written response to the JPIWG Chairman stating their preference and if the reviews should be held on a quarterly, semi-annual, or annual basis. **The responses are due 30 days from the date of these minutes.**

Option 1. Build on whatever review (Component level) is ongoing.

Option 2. Build on DLA review structure.

Option 3. Initiate DLMSO led reviews.

Option 4. Initiate OSD led reviews.

F. During the discussion of the ICE Report reviews, the Army advised that they are including data for 19 pre-positioned ships in their ICE reports. The Army includes these ships because they carry wholesale owned material. The Army would like to exclude these ships from the report. The other group members concurred with the Army's position. The group agreed that the JPIWG Chairman should draft a proposed change to the procedures for preparing the report that would exclude items that were

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specifically protected for contingency or operational plans or mobilization plans and placed on pre-positioned ships. DLMSO will informally staff this draft change with the Army, Marine Corps, and OSD and, if approved, will incorporate it in the third addendum to AMCL 8A (see discussion paragraph O).

G. Implementation of Approved MILSTRAP Change Letter (AMCL) 8A

1. Mr. Joe Cook, JLSC, provided copies of 5 Process Change Requests (PCRs) that are considered by JLSC as implementing AMCL 8A. The PCRs are scheduled to be completed by 30 September 1995. Mr. Cook was asked if the JLSC is designing the Materiel Management Standard System and the "to be" system to implement the technical capability for a "single item record" shared by the inventory manager and distribution depot as required by DoD 4140.1-R. As stated in AMCL 8A, implementation of single item record technology is a fundamental requirement of inventory integrity. Mr. Cook was unable to answer the question. The group recommended that OSD send a memo to JLSC asking for the status of JLSC's effort to implement the "single item record" technology required by AMCL 8A and DoD policy. In addition, the JPIWG Chairman will review the 5 PCRs to insure they fully cover all the requirements of AMCL 8A.

2. Mr. Bruce Burbage, DDSC, provided copies of 14 System Change Requests (SCRs) that are considered by DDSC as implementing AMCL 8A. The SCRs are scheduled to be completed in 2 increments (5.2 in October 1995 and 6.3 in June 1996).

H. Statistical Inventory Sampling Methodology. Mr. Randy Wendell, DORO, presented a briefing of the DoD Stratified Sampling Plan that he developed to provide a single sampling plan that estimates the dollar accuracy and item record accuracy, by Service and DoD-wide, of the inventory. AMCL 8A, paragraph B.10.a., requires DoD to provide a statistical sampling methodology for inventory sampling that meets both the Chief Financial Officer Act of 1990 and the Department's requirement to validate the accuracy of property accountability records. The group asked Mr. Wendell to develop a sample methodology that would both allow for dollar value and be specific about a selected category of items and/or owners. Mr. Wendell agreed to develop a specific formula for this. A copy of Mr. Wendell's proposed formula and MILSTRAP chapter 7 narrative is at Enclosure 2. Once concurred in by the JPIWG, DLMSO will incorporate the statistical sampling formula and narrative in the third addendum to AMCL 8A (see

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discussion paragraph O). **NOTE: JPIWG members are requested to review Mr. Wendell's proposed formula and provide their comments to the JPIWG Chairman 30 days from the date of these minutes. Nonresponse will be considered concurrence.**

I. Proposed Physical Inventory Program for BRAC Closure Sites. This was a carry-over topic from the last JPIWG meeting. At that meeting the group discussed a plan that had been developed by DLA. The group supported the proposed plan but recommended several revisions. Ms. Carolyn Farley, DLA, agreed to revise the plan but was unable to present the revised plan at this meeting. She agreed to provide the plan to the JPIWG Chairman for enclosure with the minutes. The JPIWG agreed to review the plan and provide their comments to DLA, and that DLA would then submit the plan direct to ADUSD(L)MDM for approval. The plan is at Enclosure 3. **NOTE: JPIWG members are requested to provide their response to DLA, ATTN: MMDOI, 30 days from the date of these minutes. Nonresponse will be considered concurrence.**

J. During the discussion of the proposed physical inventory program for BRAC closure sites, the Army advised that they have numerous open requests for causative research for inventory losses at the Lexington - Blue Grass Army Depot which has been closed under BRAC. The JPIWG advised the Army that they could do an inventory adjustment report (IAR), in accordance with AR 735-5, for noncontrolled items and prepare a DD Form 200, "Financial Liability Investigation of Property Loss", in accordance with DoD 7200.10-M, for controlled items.

K. Service Unique Inventory Requirements. This was a topic from the DLA Inventory Accuracy Conference held in Atlanta, Georgia 28 Feb-3 Mar 95. At the DLA conference the attendees agreed to provide DLA (MMDOI) their service unique inventory requirements (mandatory physical inventories that are not specifically mentioned in AMCL 8A). Ms. Marge Sullivan, DLA, reported that the Navy and Marine Corps had provided their unique requirements. **The Army and Air Force JPIWG representatives were requested to provide their unique requirements to MMDOI by 10 June 95. The Marine Corps and Navy agreed to validate their previously submitted requirements by 10 June 95.** The JPIWG will review these service unique inventory requirements at the next JPIWG meeting.

L. Causative Research Procedures. The JPIWG determined that causative research procedures are adequately defined in AMCL 8A.

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M. Error Classification Codes. This was a topic from the DLA Inventory Accuracy Conference held in Atlanta, Georgia 28 Feb-3 Mar 95. At the DLA conference the attendees agreed to provide DLA (MMDOI) copies of their internal procedures/ definitions for these codes. The JPIWG reviewed the data that was provided (Note: only the Air Force and Marine Corps responded) and determined:

1. The explanation for code 7 of the first position should be redefined as "Not assigned; reserved for future DoD assignment". The group agreed that the current explanation "Location Survey" does not appear to be an operation for which an error could occur which would result in a potential or actual inventory adjustment.

2. DLA (MMDOI) will submit a MILSTRAP change proposal to DLMSO for revision of code 7 as discussed. The JPIWG will review all comments received from staffing the proposed change. **The JPIWG members are requested to submit any additional proposed changes to the error classification codes, for inclusion in the MILSTRAP proposal, to DLA, ATTN: MMDOI, 30 days from the date of these minutes.**

N. Quality Control Program. JPIWG reviewed a draft of proposed procedures for a Quality Control Program and determined that a more thorough review should be conducted by the Services. The JPIWG representatives agreed to take the proposed procedures back to their respective components and within 45 days provide specific comments to DLA. DLA (MMDOI) will review the Services' comments and submit a proposed MILSTRAP change to DLMSO. The JPIWG will review all comments received from staffing the proposed change. **NOTE: JPIWG members are requested to provide their comments to DLA, ATTN: MMDOI, 45 days from the date of these minutes.**

O. Third Addendum to AMCL 8A. DLMSO distributed a draft third addendum to AMCL 8A. The draft addendum incorporates changes to the ICE report and ICE report narrative necessary to resolve conflicts between the 2. It also adds 2 new Type Physical Inventory/Transaction History Codes required by the Distribution Standard System. DLMSO will release the third addendum to AMCL 8A after incorporation of the revisions addressed in discussion paragraphs F and H. DLMSO emphasized that this will be the final revision to AMCL 8A. Any additional proposed revisions to physical inventory transactions and/or procedures must be submitted as new MILSTRAP change proposals rather than as modifications of AMCL 8A.

P. The JPIWG agreed that the next formal JPIWG meeting should be in October 1995.

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III. **DECISIONS REACHED:** Decisions reached are as described in the above discussion paragraphs.

IV. **FOLLOWUP ACTION REQUIRED:**

A. JPIWG representatives are requested to take the appropriate action as indicated in discussion paragraphs C, E, H, I, K, M, and N.

B. ADUSD(L)MDM is requested to take action as indicated in discussion paragraphs D and G.

C. DLMSO will take action as indicated in discussion paragraphs F, G, and O.

3 Encl

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