



OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1000



DEFENSE LOGISTICS
STANDARD SYSTEMS OFFICE
CAMERON STATION
ALEXANDRIA, VA 22304-6100
- DLSSO-BI

17 DEC 1987

SUBJECT: DoD Joint Physical Inventory Working Group (JPIWG) Meeting,
16-19 November 1987

TO: Commander, U.S. Army Materiel Command
ATTN: AMCSM-P/AMCRM-F
Commander, Naval Supply Systems Command
ATTN: SUP 06/SUP 01
Commander, Air Force Logistics Command
ATTN: AFLC-DSS/AFLC-ACF
Commandant of the Marine Corps
ATTN: LMM/FDA
Executive Director, Supply Operations, DLA
ATTN: DLA-OS
Comptroller, Defense Logistics Agency
ATTN: DLA-CF

1. The enclosed Memorandum for Record, dated 17 December 1987, is forwarded for your information. Your attention is directed to the paragraphs listed below for action by the Components:

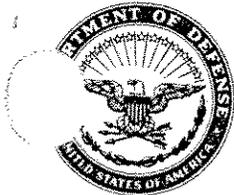
<u>Paragraph</u>	<u>Subject</u>
3.a.	Below Wholesale Inventory Policy Study
3.g.(4)	Inventory Cancellation
4.	Mandatory Attendance

2. The DLSSO-BI point of contact is Mr. F. St. Mark, (202)274-6062 (AUTOVON 284-6062).

1 ENCL

cc:
OASD(L/SD)

JAMES R. LEWIS
Chief
Distribution Standard
Systems Branch



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MEMORANDUM FOR RECORD

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1. The subject meeting was hosted by the Air Force and convened at 0900 on 16 November 1987 at Hill Air Force Base, Ogden, UT. Attendees are listed in enclosure 1.
2. The minutes of the 13-15 January 1987 meeting were reviewed and approved without corrections.
3. The agenda for the subject meeting is at enclosure 2.
 - a. The first order of business was a presentation of the completed Below Wholesale Inventory Policy (BWIP) study conducted by the Logistics Systems Analysis Office (LSAO). The study recommendations were discussed briefly. Members were tasked to provide informal written comments on the specific recommendations to DLSSO-BI by 15 January 1988.
 - b. The second order of business was a briefing by the DASD(L/SD) representative on the status of the General Accounting Office (GAO) inventory accuracy audits. The final report on "Army Inventory Management Inventory and Physical Security Problems Continue" has been received and final DoD comments are due 4 December 1987. The final report on DLA is expected within the next few weeks. Comments on the draft Navy report were provided to GAO on 13 November 1987. The draft Air Force report has not been issued as of yet. DASD(L/SD) emphasized the need to articulate clearly the physical inventory control program and to define "good performance" for the physical inventory control program. This is especially critical because of the high visibility of the program. DASD(L/SD) also discussed the LSAO In Process Review (IPR) of the Inventory Control Effectiveness (ICE) report. A final briefing on the ICE study is scheduled for 10 December 1987. The final ICE report will be used by the JPIWG to refine and clarify the ICE report. The purpose of the LSAO IPR on causative research is to determine the effectiveness of the causative research process. The preliminary findings indicate various thresholds, priorities and error coding are used

by the services and DLA. Some of the data presented was questioned by the JPIWG members. The JPIWG members also requested that they be invited to the IPRs. DASD(L/SD) indicated that he would look into the feasibility of inviting the members to future IPRs. The second IPR on casusative research is scheduled for 14 January 1988.

c. The next order of business was a tour of the Wholesale Inventory Audit System (WIAS) and the Automated Warehouse System (AWS) and Automated Storage Module (ASM) at Hill AFB. WIAS programs provide automated inventory audit and count processes using bar code technology and summary products for workload scheduling and reporting. The AWS uses a wire guided man-on-board vehicle system driven by a process controller and narrow aisle and high density storage aids for the ASM. AWS also controls all automated and non-automated warehouses providing intransit visibility and control of assets during the receipt, storage and shipping/issuing processes.

d. The next order of business was a discussion of the annual inter-service location reconciliation by the Army member. Initial results of the reconciliation indicate an accuracy rate of less than 10 per cent. Further investigation will be required to determine why the initial accuracy rate was so low. An additional report was requested for the next JPIWG meeting.

e. The next order of business was distribution of the Physical Inventory Control Program Plan FY 87-91. The plan will be updated quarterly by DLSSO based on the initiatives of the JPIWG and the Components. The plan will be re-issued annually.

f. The next order of business was a brief presentation by the DLA member on the results of reviewing inventory adjustment data for FY 87. Although the DLA Gross Inventory Adjustment Rate (GIAR) (i.e., gross adjustments as a percentage of average inventory on hand) continued to decline, reaching 3.83% (a reduction of nearly 40% from the 6.3% level in FY 81), the improvement since FY 83 has been very slow and gradual. DLA has a long-range goal of achieving a GIAR of 2.0% by FY 92. Since 24% of DLA wholesale assets are located in Non-DLA Storage Activities, it is evident that these activities must contribute to the improvement necessary to reach the DLA FY 92 goal. Adjustment rates at various Non-DLA Storage Activities were graphically displayed. The DLA member advised the JPIWG that DLA Headquarters would be tracking inventory adjustment rates at Non-DLA Storage Activities and corresponding with those needing the most improvement. At the request of the other JPIWG members, the DLA member agreed to provide the appropriate Service Headquarters with copies of this correspondence.

g. The final order of business was discussion and resolution of the Components' comments on Proposed MILSTRAP Change Letter (PMCL) 114, Revised Procedures for Physical Inventory Control. Discussion of some of the major issues involved in PMCL 114 revealed the need for the JPIWG to reach a consensus on the direction required for the future in consideration of the systems modernization efforts currently underway at ICPs and storage activities. Further revision of PMCL 114 will be required.

(1) Accountable Records. The overall consensus of the group was a desire to establish the accountable record at the storage site. The DASD(L/SD) representative proposed to prepare a position paper on this subject to be staffed within OASD. Some opposition is anticipated; however, the feasibility of future systems direction toward a single data base with multiple access and visibility supports the concept. *The Marine Corps non-concurs with establishing accountability at the storage site. Corrected 5 Feb 1988.*

(2) Statistics and Reporting. PMCL 114 establishes a statistical sampling requirement to determine an initial record accuracy rate that can be used to measure progress through time. The results will be stratified by line item unit variance and line item dollar variance. It was discussed and agreed that the definition of line item should be changed from NSN to NSN by condition code for reporting purposes.

(3) Inventory Adjustments and Reversals. The concept of eliminating document identifier code DKA, Physical Inventory Count, processing and allowing direct input of document identifier code D8A/D9A, Inventory Adjustment, by the storage activity was proposed for further consideration. More specific guidance for processing reversals was agreed on to counter recent GAO criticism and clarify the true intent of reversal procedures.

(4) Inventory Cancellations. JPIWG members were tasked to provide to DLSSO-BI by 15 January 1988 proposed codes and definitions to indicate the reason for a physical inventory cancellation. A new document identifier code will be assigned by DLSSO for physical inventory cancellations.

(5) Other Issues. The following topics were discussed but were deferred for the next meeting:

(a) Monthly Reconciliation. In conjunction with the proposal to establish the accountable record at the storage activity, it was also proposed that the ICP and storage activity reconcile all active records (had transactions affecting record balance) monthly and that all records be reconciled at least annually. The reconciliation will ensure compatibility between the records and reduce the timeframe of active records being out of balance.

(b) Hazardous Materiel Inventories. The group questioned the requirement to inventory hazardous materiel on an annual basis since there is no clear definition of hazardous materiel or source of information that dictates the requirement. The term "items of a hazardous nature" is mentioned in DoD 4100.39-M, Defense Integrated Data System Manual, Volume 10, Table 61. The items in question are general purpose, low cost and do not require special hazardous materiel storage (e.g., spray paints, hand cleaner, inks, etc.)

(c) Foreign Owned Assets. MILSTRAP procedures require that when prorating physical inventory adjustments between owners, that foreign owners will incur no gains or losses as a result of inventory adjustments. Also, when foreign owned assets are the only remaining assets, the ICP will effect resolution IAW DoD policy. The group recommended that MILSTRAP, as a minimum, cite the appropriate DoD policy.

(d) Error Classification Codes. Upon completion of causative research, MILSTRAP requires that potential/actual inventory adjustments be classified, analyzed and evaluated. Further, MILSTRAP states that error classification codes may be assigned for analysis and evaluation purposes. The group indicated that the operation code matrix is restrictive and recommended that the matrix be deleted. Deleting the matrix will allow the Components to assign the type of error code to operations as appropriate.

4. The JPIWG Chairman emphasized the critical need to maintain continuity in order to accomplish the significant changes proposed to improve the physical inventory control process. The specific members present were requested to attend the next JPIWG meeting scheduled for 20-22 January 1988. Details will be provided under separate cover. The meeting was adjourned at 1730 hours, 19 November 1987.



Francis M. St. Mark, Jr.
Chairperson
DoD Joint Physical Inventory
Working Group

AGENDA

<u>TIME</u>	<u>DATE</u>	<u>TOPIC</u>
0900-0930	16 Nov	Administrative Comments, Review/Approve Minutes From Jan 87 Meeting
0930-1015		Below Wholesale Inventory Policy (LSAO Study)
1030-1115		GAO Inventory Accuracy Audits
1115-1200		ICE Report Shortfalls
1200-1300		Lunch
1300-1500		Tour Automated Warehouse System (AWS) and Automated Storage Module (ASM)
1515-1600		Wholesale Inventory Audit System (WIAS)
0800-0900	17 Nov	Physical Inventory Control Program Plan FY 87-91
0900-0920		Inventory Adjustment Rates at Non-DLA Depots (DLA)
0920-0940		Annual Inter-Service Location Reconciliation (Army)
1000-1200		PMCL 114
1200-1300		Lunch
1300-1600		PMCL 114
0800-1200	18 Nov	PMCL 114
1200-1300		Lunch
1300-1600		PMCL 114
0800-1200	19 Nov	PMCL 114
1200-1300		Lunch
1300-1600		PMCL 114
0800-1100	20 Nov	Wrap-Up