



SUSTAINMENT

## OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

3500 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3500

### MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE

SUBJECT: Approved Defense Logistics Management Standards Change 1437, Update  
Inventory Control Adjustment Process by Storage Location by Defense Logistics  
Agency (Supply)

The Defense Logistics Management Standards change, as outlined in the attachment, is approved for implementation.

Addressees may direct questions to Dr. Gail Fuller, [DEDSO.Supply@dla.mil](mailto:DEDSO.Supply@dla.mil). Others must contact their designated PRC representative available at <https://www.dla.mil/Defense-Data-Standards/Committees/Contacts/>.

Leigh E. Method, SES  
Deputy Assistant Secretary of Defense  
for Logistics

Attachment  
As stated

cc:  
OUSD(C)  
DLA J6DS

# Approved Defense Logistics Management Standards Change 1437 Update Inventory Control Adjustment Process by Storage Location by Defense Logistics Agency (Supply)

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

a. **Technical POC:** Defense Enterprise Data Standards Office (DEDSO), Dr. Gail Fuller, [DEDSO.Supply@dla.mil](mailto:DEDSO.Supply@dla.mil).

b. **Functional POC:** Defense Logistics Agency (DLA), Logistics Operations (J3), Troy Brown, [troy.brown@dla.mil](mailto:troy.brown@dla.mil).

## 2. REASON FOR CHANGE:

a. **Bottom Line Up-Front:** Substantive updates made after approved change are identified in green highlighting.

This change clarifies specific reporting for the DLA conducting, recording, and reporting process articulated in Defense Logistics Manual (DLM) 4000.25, Volume 2, Chapter 6, Physical Inventory Control when performing storage bin counts; the DLA Warehousing Management System (WMS) will report location variations as locations are counted via the DLMS 947I Inventory Adjustment.

### b. Background:

(1) The Department of Defense (DoD) has adopted an annual physical inventory count process using either a cycle count or wall-to-wall count methodology, as outlined in DoD Instruction (DoDI) 4140.73. This change, as well as audit findings, have highlighted the need to dramatically increase the frequency of inventory counts for DLA. The increase in inventory count frequency has resulted in additional resources required at the DLA Distribution Centers. DLA is in the process of migrating to WMS. One of the existing capabilities in WMS is the ability to schedule and complete inventories by bin/location. As part of the functionality, WMS will transmit the result of the physical inventory count as locations are counted as opposed to waiting until the total population for a line-item is counted.

(2) Today in DLA Distribution Standard System (DSS), the gain and loss may not be transmitted immediately after it's discovered, and it can be delayed up to 30 days. This occurs since DSS requires a complete count of line-item population prior to adjustment report.

(3) Accordingly, DLA wants to take advantage of the capability in WMS to accomplish inventory counts by location. This bin/location count capability will allow a more sequential and efficient count process and enables DLA to report gains and losses closer to when those adjustments are discovered.

## 3. CHANGE IN DETAIL:

a. **Technical Details:** None.

b. **Revised Transaction Flow:** No changes to the transaction flow. However, materiel

owners may receive multiple DLMS 947I Inventory Adjustment transactions for the same line-item as locations are counted in lieu of a single adjustment after the entire population is counted. Materiel owners will need to evaluate their respective accounting property systems of records and determine any impact.

**4. IMPLEMENTATION TARGET:** Upon approval.

**5. TECHNICAL IMPACT:**

- a. **Additions or Changes to Data Elements**: None.
- b. **Automated Information Systems (AIS)**: None.
- c. **Defense Automatic Addressing System (DAAS)**: Not applicable.

**6. PUBLICATION/POLICY IMPACT:**

- a. **Defense Logistics Manual (DLM) 4000.25**: Volume 2, Chapter 6, Physical Inventory Control.
- b. **Non-DLM 4000.25 Publications**: DoD Components may need to update internal guidance to comply with this DLMS change.

**7. ASSUMPTIONS:** None noted.

**8. FINANCIAL IMPROVEMENT AND AUDIT REMEDIATION (FIAR), MATERIAL WEAKNESS, AND AUDIT-RELATED INFORMATION:**

- a. **Notices of Findings and Recommendations (NFR)**: None.
- b. **Corrective Action Plan (CAP) References**: None.
- c. **Other FIAR, Material Weakness, and Audit-Related Information**: None.

**9. END-TO-END TESTING REQUIREMENTS:** None.

**10. REFERENCES:**

- a. DoDI 4140.73, Asset Physical Accountability Policy
- b. DLM 4000.25, Volume 2, Chapter 6, Physical Inventory Control

**11. PROPOSED DLMS CHANGE (PDC) 1463 RESPONSE/COMMENT RESOLUTION:**

	Component	Response/Comment	Disposition
1.	DLA	Concur with Comments.	DEDSO response: Acknowledged comments additions are shaded in green.
2.	US Air Force	Concur with Comments.  1.Currently, DLA manages Robins, Ogden and OKC at the retail level using ILS-S as the APSR. Will the	DEDSO response: Acknowledged system implementation. DLA responded stating that DLA

	Component	Response/Comment	Disposition
		implementation of ADC 1437 impact the use of the 947I at these retail locations or is this change only on the wholesale side of the house?	<p>will count at bin level where we use WMS. If the USAF is using ILL-S, they can count however they feel is necessary. DLA just wants to be able to count at bin level vice NIIN level.</p> <p>Both Wholesale and Retail will count at bin level. The adjustments will post as each count is completed (after a recount and review at the difference analyzer level).</p> <p>This change should not adversely impact a customer. The adjustments will be processed quicker.</p>
3.	US Army	No response.	<p>DEDSO Response:</p> <p>No response represents concurrence per PDC 1437 change memo.</p>
4.	USMC	<p>Concur with comments.</p> <p><b>1. Inventory by Location and Spot Inventory:</b> The focus here is addressing inventory inaccuracies in specific locations. Spot inventory is mentioned as a solution for such cases. This could be effective for quickly addressing discrepancies in specific areas rather than a full-scale inventory.</p> <p><b>2. Serialized and Non-Serialized Inventory:</b> The PDC doesn't explicitly address whether the inventory process is tied to serialized or non-serialized inventory. Some Service APSRs track assets by serial number. Due to constraints in the Unique Identification Tracking (UIT) process, not all NIINs are being tracked at DLA by serial number.</p> <p><b>3. Bulk Location and Owning-RIC Level:</b> If an inventory was conducted on a bulk location, that has not been segregated to the owning-RIC level, how do you know which owning-RIC should take the adjusted, and to what quantity level? This raises a critical question about how to allocate adjustments from an inventory conducted on a bulk location that hasn't been segregated to the owning-RIC level. Determining</p>	<p>DEDSO Comments: Acknowledged system implementation. DLA responded as follows:</p> <p>1. Within WMS, DLA counts by bin location for all assets, serialized items and non-serialized items. DLA Distribution pulled some adjustment data from WMS at the (2) DLA Distribution centers which provides primary support to USMC (Albany and Barstow).</p> <p>2. If materiel is a UIT serial number item and during the first count there is a serial number discrepancy but not a quantity discrepancy, the serial number adjustment will go to the Difference Analyzer for research and review. If a recount or other bin locations need to be inventoried, those</p>

	Component	Response/Comment	Disposition
		<p>the correct owning-RIC and quantity level is essential for accurate inventory management.</p> <p><b>4. Risk of Removing Service Owned Assets:</b> Conducting inventory by location for serialized items without a wall-to-wall methodology is flagged as a risk. Prematurely removing service-owned assets elsewhere in the DLA site's inventory could have significant financial implications.</p> <p><b>5. Recommendation for Adding a New Field:</b> If an inventory were conducted by location vice by a wall-to-wall methodology, and the NIIN being inventoried is serialized, there is a risk in prematurely removing Service owned assets that are located elsewhere in the DLA site's inventory. The 947I (D8*/D9*) is by serial number and can carry a large dollar value.</p> <p><b>6. Recommend adding a new field that further explains why and which methodology was utilized:</b> AA = Physical inventory count as a result of a Wall-to-Wall inventory (D8/D9 "A") AB = Accounting Error (D8/D9 "B") AH = Other, miscellaneous (D8/D9 "Z") AJ = Survey (Theft, Shelf Life) (D8/D9 "G") AL = Inventory adjusted due to a location survey (D8/D9 "A") AN = Unit of issue Change (D8/D9 "B")</p>	<p>locations can be scheduled for a count.</p> <p>3. Currently, all locations (including bulk locations) are segregated by owner in DSS and WMS with the exceptions of the (3) Air Logistics Centers (ALCs) at Hill, Oklahoma, and Warner. Adjustments will be applied to the owner and not prorated.</p> <p>4. DLA transmits the following error codes: AA, AM, and AQ. DLA uses 947I for kitting adjustments.</p> <p>5. There is no need to add an additional field. This risk is out of the scope of this change.</p> <p>6. This information is already annotated in Chapter 7, T1.</p>
7.	US Navy	Concur with comments. Navy response: This has no impact to the current Navy ERP business rules. If the Navy ERP becomes the APSR, this one should be reviewed during implementation.	Acknowledged if Navy ERP becomes the APSR, ADC will be reviewed at that time.
8.	DAAS	Concur without comments. With this change having no technical impact, DAAS concurs with this ADC as written.	DEDSO Acknowledges.
9.	USTRANSCOM	Abstain.	DEDSO Acknowledges.
10.	FAA	Abstain.	DEDSO Acknowledges.

## Enclosure 1

Update Defense Logistics Manual (DLM) 4000.25, Volume 2, Supply Standards and Procedures

Make the following change to Volume 2. Additions are identified by ***bold red italics*** and deletions by double strikethrough text.

### Chapter 6 Physical Inventory Control

*Preceding text not shown.*

***C6.3.6.9. Reporting Adjustments by Location Count. DLA Distribution Center Storage Activities may report inventory adjustments as they are discovered via the DLMS 947I Inventory Adjustment transaction. Using this method allows a storage activity to report as warehouse locations are counted instead of waiting to count the entire population of a line-item.***