

CHAPTER 7

PHYSICAL INVENTORY PROCEDURES

SECTION I - GENERAL

207101 - PURPOSE

This chapter prescribes the policies, procedures, responsibilities and criteria to be used by DSCs in processing transactions and documents associated with Location Reconciliations and Physical Inventories conducted at distribution activities.

207102 - SCOPE

The procedures contained herein are applicable to both DSO and IPC activities and encompass the employment of the following techniques:

a. Location Reconciliation. This is a reconciliation of DSC balance files by items against distribution activities locator files for purposes of detecting various discrepancies, including items physically on-hand but not reflected on the accountable records and vice versa, as well as common elements of data that do not match, so that corrective action may be accomplished. For distribution activities operating under the Defense Distribution System (DDS), Location Reconciliation will consist of a match between storage activity records and owner/manager records in order to identify and to correct situations where there is an owner/manager record with no corresponding storage activity record or vice versa, common elements of data that do not match, and/or quantity discrepancies.

b. Warehouse Count. The warehouse count is an informal count of an item in stock made by the distribution activity at the request of, and reported to, the DSO.

c. Special and Spot Inventories (see appendix A-18). These types of inventories are formal inventories of a particular NSN or condition within an NSN on a one time basis, initiated by the DSO or DLA depots, due to Location Reconciliation, for the purpose of correcting suspected differences between the stock record balances and actual quantities on hand.

d. Sample Inventory. Sample inventories are not conducted by DLA.

e. Complete Inventory. The complete inventory is a formal and scheduled inventory of a National Stock Number (NSN). The results of this inventory are used to correct differences between stock record balances and quantities on hand. A complete inventory will be taken at least quarterly for all SSC-1 items with Physical Security Codes of Q or

R, annually for pilferable items; and, the frequency for scheduling and accomplishment for all other physical security codes will be dependent on the value of the computed IP for the NSN and available resources at the distribution activity.

207103 - GENERAL

The following general information is applicable to the techniques in paragraph 207102 above:

a. Type of Physical Inventory/Transaction History Code (TPI/THC). The appropriate code from appendix A-18 will be entered in pos. 7 of physical inventory/transaction history transactions. It is used to identify the type of inventory being conducted/requested or to identify requests for transmission of custodial balances/transaction history. Depots operating under the Defense Distribution System (DDS) do not utilize Physical Inventory Count Transactions (DIC DKA). These depots instead generate inventory adjustments (DIC D8A/D9A) to the DSC as a result of conducting physical inventories. In order that these adjustments may be identified as physical inventory related, the TPIC will be perpetuated in pos. 7.

b. Physical Inventory Cutoff Date (PICD). The PICD is the date established by the distribution activity or DSO as the last day for completion of all preinventory actions. Stock record balances as of the conclusion of business on the cutoff date as updated with preinventory transactions processed subsequent to cutoff date will be used for comparison with the distribution activity's inventory count.

c. Count Document Control Numbers. For control purposes, the distribution activities will assign a seven digit control number to each count document, beginning with 0000001 for each lot to be inventoried.

d. Preinventory Cleanup. Every effort will be made to ensure that all preinventory documents are posted to the stock record balance for items to be inventoried by conclusion of business on the cutoff date. Preinventory documents which cannot be posted prior to receipt of count documents will be considered by the DSO in evaluating causes for adjustments. Subsequent adjustment action may be required as a result of this evaluation.

e. Document Control. DSO will take appropriate action to minimize adjustment type transactions during inventory. A Physical Inventory Infloat Control Date (PIICD) is assigned prior to the PICD as a means to control all in process documents and materials which could affect the outcome of the inventory. The PIICD is found on DIC DJA/DJB transactions. Maintenance of in float control is a depot responsibility for activities operating under the DDS. For these activities, DIC ZJA/DJA transactions generated by the DSCs will not contain a PIICD. (DIC DJB transactions are not utilized by DDS depots.)

f. Inventory Lots. The distribution activities will group their stock into inventory lot sizes which will enable a one day count. A lot may be a single FSC or an aggregation of several Federal Supply Classes (FSCs) or groups and may consist of a single inventory category. Insofar as possible, all aggregate classes or groups should reflect like class or group activity and other conditions so that the lots will be homogeneous. An FSC may be divided into two or more lots as required

for excluded items and/or to enable one day count. Lots will contain only those FSCs assigned to one DSC.

g. Scheduled Inventories. Scheduled (Complete) Inventory (TPI/THC A) requests will be generated by the DSC to the distribution activities (DLA and Non-DLA) on a quarterly basis. Items will be selected for inventory request based on a system assigned Inventory Priority (IP) number. Computation of the IP will include NSN factors such as: months since last inventory, months to procurement, demand history, weapon system, procurement lead time, and type commodity. For IP computation purposes, an item will be considered inventoried when one valid count document DIC DKA or DIC D8A/D9A is processed by the DSC for the NSN. Distribution activities will sequence all DSC generated inventory requests for the quarter in descending IP order and schedule inventories based on available resources. The IP process will schedule inventories as follows:

(1) A complete inventory will be conducted quarterly on all items with Physical Security Codes of Q, Controlled Substances (drugs or other substances designated in Scheduled Symbols III, IV and V, Controlled Substances Act); and R, Controlled Substances (drugs, precious metals or other substances designated in Schedule Symbol I or II, controlled substances act, alcohol and alcoholic beverages or precious metals); and, annually for Physical Security Code J, Pilferage Items.

(2) The frequency for scheduling and accomplishment of complete inventories for all other items with Physical Security Codes of I, Aircraft engine equipment and parts; M, Handtools and shop equipment; N, Fire arms; P, Ammunition and explosives; U, Unclassified; V, Individual clothing and equipment; W, Office machines; X, Photographic equipment and supplies; Y Communication/electronic equipment and parts; or Z, Vehicular equipment and parts, will be dependent on the value of the computed IP for the NSN and available resources at the distribution activities.

(3) The computation for items coded H, T, L and 0 will be accomplished by the computer during the annual June 30 inventory review process as listed in the F-23, NSNs by Inventory Category Code. Codes E and U will be via DIC ZJM transactions for DSO as prescribed in appendix B-142. Such items will be reviewed and updated each succeeding year. Changes to ICCs during the interim period are permitted where items are logistically reassigned between DSCs, and the gaining DSC computer assigns Code 0 to all items, when the NIRF is built. These items will be changed as required by the gaining DSCs Inventory Monitor via input of appendix B-142 as prescribed by appendix E-142 P. New items received in the DLA System other than subsistence and ICC E and U items will be considered Code 0 until following fiscal year. Where an existing item is assigned a newly developed NSN, the ICC assigned under the old/deleted NSN will apply. Where a single NSN is replacing a number of items assigned different ICCs, the ICC of the highest priority previously assigned will apply. For this purpose, the sequence of priority assignment is H, L, T and 0. Items involving E and U codes will be manually updated via input of Item Management Data Change Transaction DIC ZJM, on a case-by-case basis. Items involving Codes H, L, T and 0 will be computer updated during the monthly processing of catalog changes.

(4) Changes to ICC other than prescribed above will not be made.

(5) DSCs will assure that items assigned an ICC E or U are also assigned a Physical Security Code of J, Q or R. Depots are prohibited from assigning an item a Physical Security Code of J, Q or R unless previous coordination has been obtained from the DSC and the item is assigned an ICC of E or U. The MOWASP Data Bank will reject any transaction wherein Physical Security Code J, Q or R are not compatible with ICC E or U or vice versa.

h. Telephone or Teletyped MROs. The DSO will ensure that all such MROs for items undergoing inventory reflect the preinventory Code R (appendix A-13) or post-inventory Code U in pos. 72, as appropriate. These codes are not necessary for depots operating under the DDS, as inventory control for those activities is a depot responsibility.

i. Availability Listings. For non-DDS depots ODS will identify items undergoing inventory on all output availability listings (NIR Printout, appendix F-109) in order that DSO may ensure that manual MROs contain the preinventory or inventory in-process (after cutoff) Management Code (R or U as appropriate) in pos. 72. This will be accomplished by placing the inventory cutoff balance in the asset balance section of NIR for the NSN being inventoried on the cutoff date. The type of inventory code and cutoff date is entered approximately 7-10 days prior to the PICD. The PICD is not carried in the NIRF for DDS depots. Physical Inventory Control for those activities is a depot responsibility.

j. Preinventory and Post Inventory MRO Management Codes. If another management code is applicable to an MRO when preinventory Management Code R or inventory in-process (after cutoff) Code U is used, the other management code will not be entered but the exception data will be entered in clear text on the MRO as indicated in chapter 4.

k. Preinventory and Post Inventory Receipt Controls. Non-DDS DLA Distribution activities will consider all receipt transactions occurring while an item is flagged for inventory as preinventory if the date received (pos. 73-75) in the receipt is equal to or prior to the inventory cutoff date. Receipts at non-DLA storage activities will be considered as preinventory if the receipt transaction is received at the DSC on or before the day after the inventory cutoff date. For non-DDS depots, the quantity involved will be included in the count document submitted to the DSC. Preinventory receipt transactions posted to NIRF subsequent to inventory cutoff date will be posted to the inventory cutoff balance as a minus or plus as appropriate. This will be accomplished as outlined in chapters 3, 5 and 40. DDS depots do not submit count transactions to the DSCs. All pre and post inventory control of receipt transactions is performed by the depot and considered in the adjustment transaction (DIC D8\_/D9\_) generated to the DSC.

l. Preinventory and Post Inventory Issues Controls. On DIC D7\_ issues from an SSP for an item under inventory, if the date in pos. 73-75 of the DIC D7\_ is equal to or less than the cutoff date, the quantity in the DIC D7\_ will be subtracted from the DSC inventory cutoff balance. However, the cutoff balance will not be reduced below zero.

m. The control and processing of preinventory and post inventory adjustments will be as prescribed in chapter 5. Also the research of and processing of adjustments as a result of inventory gains and losses will be as prescribed by chapter 5.

n. Stock Record Inventory Balance File Controls.

(1) For non-DDS DLA Depots and New Cumberland Army Depot the Information Processing Center (IPC) will, as of COB on the PICD, computer generate an Inventory Balance Notification Document, DIC CKE, for all types of inventories and transmit to appropriate distribution activity. This document serves as an aid in conducting physical inventory in that it contains the DSCs inventory cutoff balance by NSN, Type of Inventory, Condition Code and Location Code. DDS depots compare inventory counts with the balance maintained in that system, therefore do not require DIC CKE transactions from the DSC. As such, none are generated.

(2) The Stock Record Inventory Balance File is mechanically maintained in the asset section of the NIRF. Appendix F-109, NIR printout may be obtained by preparing an inquiry document, DIC ZCQ, as prescribed in E-143 P. A control file is also maintained within the SAMMS for processing inventory actions at non-DDS depots. This is known as the Inventory Control Master File (ICMF) and can be accessed via SAMMSTEL. DDS depots maintain their own physical inventory controls, therefore none are required for those activities within SAMMS.

(3) To cancel the Stock Record Inventory Balance File from the NIRF and ICMF for non-DDS depots, the DSO will prepare DIC ZAR, Physical Inventory Cancellation transaction, and forward to the respective IPC for processing/validation, (see appendix E-113 P). Visibility of inventories in process at DDS depots is not maintained in the NIRF or ICMF. The Physical Inventory Cancellation transaction (DIC ZAR) may be utilized by the DSC, however, to request cancellation of inventories at those activities. Processing the DIC ZAR at the DSC will generate a Physical Inventory Request transaction (DIC DJA) with a Management Code N (cancellation request) to the depot.

(4) To extend an inventory's automatic cancellation date, the DSO Inventory Monitor will prepare DIC ZLV, Physical Inventory Retention Document, as prescribed by appendix E-202 P. When Navy and Air Force storage activities submit inventory notifications (DIC DJB) with TPI/THC A or B, the system will convert the TPI/THC to C and the inventory cancellation date will automatically be assigned PICD plus 35 days. Inventory monitors will not prepare DIC ZLV documents if storage activity is a DDS depot.

(5) Automatic cancellation by the respective IPC will be as prescribed in section VII.

207104 - POLICY

a. Freeze applications are not to be routinely established when items are undergoing inventory. Freeze actions will be applied when the depot is conducting a wall-to-wall inventory (not used by DLA, except in the subsistence commodity) or when directed by HQ DLA.

b. Stock records will be reconciled promptly on the basis of physical inventory count consistent with research required by chapter 5.

c. If it is determined that recount is required, the DSO will request a physical inventory of the item in question.

d. Special and Spot inventory requests will not be made for items currently being inventoried by complete method. When a special or spot inventory is required for an item undergoing complete inventory, the DSO will request expeditious action by the distribution depot for the complete inventory.

e. Overall costs will be reduced to a minimum consistent with the mission.

f. System error growth will be recognized and reduced to acceptable standards.

g. Customer service will be continuous and effective.

h. Within 120 days prior to logistically transferring any items to GSA, a physical inventory will be accomplished.

i. The DSC IPC will furnish the distribution activities current inventory balances for all type inventories as prescribed in appendices.

207105 - RESPONSIBILITIES

The DSO will establish an Inventory Monitor with responsibility for coordination and/or accomplishment of the following:

a. Providing DIC CK6 Document (appendix B-48) image tapes indicating the Inventory Category Codes (appendix A-43) to the MOWASP Data Bank on or about 9 July each year. The MOWASP Data Bank will subsequently furnish the depots with the applicable tapes for that location.

b. Identifying and coding into the NIR File Inventory Category E and U items.

c. Coordinating inventory scheduling with the distribution activities and retaining copies of inventory schedules for a three year period mainly to ensure that each FSC managed by the DSC appears on the schedule at least once every three years.

d. Receiving Location Reconciliation Document/Tape (DIC DZH) from distribution activities and coordinating processing by the respective IPC.

e. Assuring that stock record balances are established as of the established PICD and that non-DDS distribution activities are provided with cutoff balances via Inventory Balance Notification Document, DIC CKE (appendix B-166).

f. Forwarding requests for special inventories as required by DSO and coordinating cutoff dates with distribution activities when volume of requests warrants such action.

g. Assuring that stock records are adjusted within prescribed timeframes.

h. Assuring that IAVs are properly prepared, researched, and approved as prescribed in chapter 5.

i. Effecting necessary coordination with the IPC and distribution activities relative to inventory cancellations and other inventory actions.

j. Assuring that Inventory Performance/Effectiveness and Location Reconciliation Reports are developed as required herein.

k. Assuring NSNs coded locally pilferable by individual distribution activities are considered for coding as system pilferable.

## SECTION II - WAREHOUSE COUNT

### 207201 - WAREHOUSE COUNT

DSO may request a warehouse count from the distribution activity for a specific NSN or condition within an NSN by telephone, teletype, or letter when information is urgently required. The distribution activity will furnish the count as soon as possible by telephone, teletype or letter, as appropriate. This warehouse count will not be used to adjust accountable records but may be used as a factor in determining the necessity for an inventory request, DIC ZJA. All such requests will require approval by the Inventory Monitor. A listing of DSC personnel authorized to request warehouse counts will be provided to the appropriate distribution activity and maintained in a current status by the DSC.

## SECTION III - LOCATION RECONCILIATION

### 207301 - GENERAL

a. Location Reconciliation consists of a match between valid storage activity records and accountable records in order to identify situations where:

- (1) Items are on record but not in storage (Type 1 error).
- (2) Items are in storage but not on record (Type 2 error).
- (3) Common item data does not match (Type 3 error).

(4) Quantity mismatch exists (Type 4 error).

b. Location Reconciliation will be accomplished semiannually with both DLA depots and Service depots according to the following schedule:

<u>SERVICE/DEPOT</u>	<u>RECONCILIATION MONTHS</u>	
Army (including NCAD)	Feb and Aug	
Navy	May and Nov	
Air Force	Mar and Sep	
Marine Corps	Jan and Jul	
<u>DLA DEPOT</u>	<u>RECONCILIATION MONTHS</u>	<u>DSCs</u>
DDMP	Jan and Jul	DESC, DGSC, DPSC-
R	Apr and Oct	DCSC, DISC, DPSC-
F		
DDRV	Jan and Jul	DCSC, DGSC, DISC,
	Apr and Oct	DPSC-R, DPSC-F
		DESC
DDTC/Sharpe Army Depot	Jan and Jul	DESC, DISC, DPSC-
F		
DDTC	Apr and Oct	DCSC, DGSC, DPSC-
R		
DDOU	Feb and Aug	DESC, DGSC
	May and Nov	DCSC, DISC, DPSC-
R,		DPSC-F
DDCO	Mar and Sep	DISC, DPSC-R
	Jun and Dec	DCSC, DESC, DGSC,
		DPSC-F
DDMT	Mar and Sep	DCSC, DESC, DGSC,
	Jun and Dec	DPSC-R, DPSC-F
		DISC

To implement the schedule outlined above, the depots will simply dispatch only the tapes for the DSCs actually scheduled that month. At the DSCs, SAMMS will continue to reconcile only with those depots from which the DIC DZH transactions are received.

c. Location Reconciliation will be accomplished monthly with DLA depots operating under the Defense Distribution System (DDS) for all NSNs which have experienced balance affecting transactions during the month, regardless of the on-hand balance at the end of the month. Sharpe Army Depot (RIC A05), is recognized as a DDS depot for normal inventory processing, however for the location reconciliation process, Sharpe Army Depot is to be recognized as a non- DDS storage activity. DIC DZH transactions submitted by Sharpe will be processed in the same

manner as other Service depots. All NSNs will be reconciled at least once each fiscal year, regardless of activity. This yearly reconciliation will be accomplished during April.

d. The cutoff date for all Location Reconciliation processes is the first Tuesday of the month, with DIC DZH transactions due to the manager no later than 15 days after the cutoff date.

e. The prescribed level of accuracy for Location Reconciliation within DLA (i.e., with the DLA depots) is 99 percent. The prescribed level of accuracy for Location Reconciliation within DoD is 97 percent and this will be applied to Location Reconciliation with Service depots.

#### 207302 - PROCEDURES

a. Non-DDS Storage depots to include Sharpe Army Depot (RIC AQ5) will prepare Location Reconciliation Request transactions, DIC DZH, by condition for each NSN in the item locator file as of the first Tuesday of the scheduled Reconciliation month. DDS depots will prepare DIC DZH transactions for all NSNs experiencing balance affecting transactions since the previous reconciliation, as of the first Tuesday of each month, except April. During that month, DDS depots will prepare a DIC DZH transaction for all NSNs, regardless of activity. The DIC DZH transactions will then be forwarded to the Inventory Control Point accountable for the items. The ICP will be notified of the total number of DIC DZH transactions being forwarded. In processing of DIC DZH transactions, a duplicate check is performed on the NSN, storage location and Condition Code. Duplicate transactions identified will be dropped from processing. Additionally, DDS depots will provide a quantity balance in the DIC DZH, as well as transaction histories with each DIC DZH (DIC DZK with Transaction History Code W) requested.

b. Prior to the 15th day of the month for which the reconciliation is scheduled, the Inventory Monitor will review the F-54, Activity Assets Statistics Report to determine the locations which have assets reflected in the NIR. If DIC DZH transactions are not in process, coordinate with the depot involved to ensure compliance with the established schedule. On occasion, it may be legitimate for DDS depots only, to have assets reflected on the F-54, but no DIC DZH transactions submitted. This could happen if no activity has occurred between that depot and the DSC during the reconciliation month. This situation should never occur during April, since that is designated as the month for reconciliation of all items, active and inactive. Prior to running the Location Reconciliation programs the DSC may run as required Job USDJAR97 to receive summary counts of the number of DIC DZH transactions (and NSNs) received by depot. Counts will be provided for each depot having DIC DZH transactions in Working Data Set 37. The counts will appear on the Location Reconciliation DIC DZH Summary, appendix F-203A. In addition to receiving counts, the DSC may also request that all DIC DZH transactions for a specific RIC or for all RICs for a Service be listed in the format of appendix F-203B Location Reconciliation DIC DZH Detail. Before requesting DIC DZH listings by RIC/Service, careful consideration must be given to the potential volume of transactions to be listed.

c. SAMMS will create a Location Reconciliation Asset File (LRAF) to contain NIR data as of the cutoff date (first Tuesday of the month). Data will include NSN, Unit of Issue, Key Code, Physical Security/Pilferage Code, Inventory Category Code, Standard Unit Price, Backorder Indicator, Shelf-Life Code and Asset Balance Data (Area Code, Location Status, RIC, O/P Code, Condition Code and quantity). Items assigned NIR Key Code MM and Purpose Code L balances are excluded.

d. When satisfied that all required DIC DZH transactions have been received and input, the Inventory Monitor will coordinate with Information Processing Center (IPC) representative to run the reconciliation programs. The DIC DZH transactions will be mechanically processed which includes the following actions:

(1) The RIC From, pos. 67-69, must be in the Source Preference Table or the transaction will be output as Violation Reason Code AB, on appendix F-122, Controlled Violation Listing.

(a) The Inventory Monitor will attempt to identify the RIC. If the RIC can be identified:

1. If the RIC is not one that processed in the reconciliation cycle which generated the violation, correct the DIC DZH transaction and resubmit to the IPC.

2. If the RIC is one that processed in the reconciliation cycle, obtain an NIR printout and manually compare the data elements. When the DIC DZH transaction agrees with the NIR, no further action is necessary. When there is a difference between the DIC DZH transaction and the NIR, determine the type of error and corrective transactions required. Manually prepare and process the required documents.

(b) If the RIC can not be identified, prepare a letter explaining the problem. Forward the letter along with the DIC DZH transactions to DLA-OSC no later than 30 days after the scheduled cutoff date.

(2) DIC DZH transactions containing valid storage activity RICs will be matched against the LRAF and errors will be determined, as follows:

(a) Type I - DSC balance but no DIC DZH received for the NSN.

(b) Type II - DIC DZH received but no DSC balance for the NSN.

(c) Type III - Common elements of data do not match:

1. NSN is unidentifiable, deleted or managed by another Inventory Control Point.

2. Unit of Issue.

3. Condition Code.

4. Physical Security/Pilferable Code.

5. Shelf-Life Code.
6. Inventory Category Code (DLA depots only).
7. Quantity.

e. Type I errors are processed, as follows:

(1) The current NIR is checked to see if the assets remain on-hand or if the item is under inventory at the reconciliation location.

(2) If the item is under inventory or the assets are not on hand, the error is counted but corrective transactions (DIC DJA/ZJA/D9B) are not created.

(3) If the item is not under inventory and the assets remain on hand:

(a) If the ICC is E or U or any Condition Code L assets are recorded or the dollar value of assets for the NSN and location (all Condition Codes) is greater than \$100, a Special Inventory Request (DIC ZJA) is created with Management Code A in pos. 72.

(b) Otherwise, Condition Code H assets and Type I error balances for which the total dollar value of assets for the NSN and location is \$100 or less will be dropped as an inventory loss, DIC D9B.

(4) Type I balances remaining on hand in the NIR are mechanically frozen with Freeze Code D. (Note: Inventories must be established in order to ensure the Freeze Code D is lifted.)

f. Type II errors are processed as follows:

(1) The current NIR is checked to see if the assets have been recorded or if the item is under inventory at the reconciliation location. If so, the error is counted but corrective transactions (DIC DJA/ZJA/D8B) are not created.

(2) If the item is not under inventory and the assets are not recorded as on hand:

(a) If the item's ICC is E or U or any DIC DZH for the NSN and location contains Condition Code L, a special inventory request is created with Management Code B in pos. 72.

(b) If the DIC DZH reflects Condition Code H, a check will be made to see if assets are still recorded on the NIR.

1. If the NIR reflects assets in Condition Code H, a DIC ZLC transaction will be mechanically generated thus creating a DIC 7J (Issue) and a DIC A5J (Disposal Release Order) with a zero retention quantity.

2. If the NIR reflects zero assets in Condition Code H, a DIC D8A transaction will be generated with a quantity of one. Subsequently, a DIC ZLC transaction will be mechanically generated to dispose of those assets.

(c) Otherwise, if the DIC DZH transaction contains a quantity and the total dollar value of all DIC DZH transactions for the NSN and location is \$100 or less, the assets are recorded on hand in the NIR with a DIC D8B transactions(s).

(d) If the DIC DZH transaction quantity is not numeric or the total dollar value of assets is greater than \$100, an inventory request is created with Management Code B in pos. 72.

g. Type III errors are identified and processed, as follows:

(1) The NSN is matched against the LRAF. If the NSN is not on the LRAF (was not in the NIR):

(a) If the Manager/Owner Identifier, pos. 42, equals 2, the DIC DZH is output on the F-24A with the remarks MANAGER/OWNER CODE EQUALS 2 and processing discontinued. No error is counted, nor is the NSN counted as an NSN reconciled.

(b) If the Manager/Owner Identifier is other than 2 and the FSC can be identified to another DSC, the error is counted as a Manager error and a DIC DZG transaction is created with Reject Advice Code AB in pos. 79-80 and the correct manager RIC in pos. 54-56.

(c) If the FSC cannot be identified (i.e., is not on the FSC Table) the transaction is counted as an NSN error and a DIC DZG created with Reject Advice Code AB but no RIC in pos. 54-56.

(d) If the FSC is the processing DSCs, the transaction is rejected by DIC DZG with Reject Advice Code AD and is counted as an NSN error.

(2) If the NSN is a deleted item:

(a) NIR Key Code DR - a DIC DZB is generated with a 2 in pos. 7. (Counted as an NSN error.)

(b) NIR Key Code DX - a DIC DZB is generated with a 9 in pos. 7. (Counted as an NSN error.)

(c) NIR Key Code DZ - a DIC DZB is created with a Y in pos. 7 and the GIM RIC in pos. 56-58. (Counted as a manager error.)

(d) NIR Key Code D - (Other than DIC DR, DX or DZ) A DIC DZB is created with an 8 in pos. 7 and the transaction is counted as an NSN error. The current NIR is checked to see if the assets are recorded and, if so, the lines will appear on appendix F-280, Recommended Disposal Actions, except for Condition Code H, see subparagraph 207302f(2)(b). If the assets are not in the NIR and the DIC DZH

Condition Code is other than A-H, J or K, the DIC DZH transaction will appear on the F-24A, Locator Reconciliation Error Listings with the remarks DELETED NSN WITH INVALID CONDITION CODE. If the assets are not in the NIR and the Condition Code is valid, an inventory gain is created to record the assets on hand, except for Condition Code H, see subparagraph 207302f(2)(b). The DIC D8B transaction will use the input quantity (default of one) and will be identified on the F-24A with the remarks DELETED NSN.

(3) If the item is a pending gain, NIR Key Code PG, the transaction is counted as a Manager error and a DIC DZB is created with a Y in pos. 7 and the correct manager RIC in pos. 56-58.

(4) If the DIC DZH Unit of Issue does not equal the LRAF, a DIC DZB is created with a 5 in pos. 7 and the correct U/I in pos. 44-45. (Counted as U/I error.)

(5) If there is a Condition Code mismatch, and inventory request is created with Management Code K in pos. 72. (Counted as Condition error.)

(6) If the DIC DZH Physical Security Code does not equal the LRAF a DIC DZB is created with a 4 in pos. 7 and the correct PSC in pos. 52. For the purposes of the reconciliation, a DIC DZH with a PSC of X (locally coded pilferable), will be considered as matching an LRAF PSC of U. (Counted as PSC error.)

(7) If there is a Shelf-Life Code mismatch, a DIC DZB is created with a 3 in pos. 7 and the correct Shelf-Life Code in pos. 51. A blank or zero code in the DIC DZH will be considered as matched to an LRAF Shelf-Life Code of zero, blank or X. (Counted as S/L error.)

(8) For DLA depots, if the DIC DZH Inventory Category Code does not equal the LRAF ICC, the transaction is counted as an ICC error and a DIC CK6 transaction is forwarded to the MOWASP Data Bank (RIC SAB) providing the correct ICC.

(9) If the DIC DZH contains a valid quantity, it will be compared to the LRAF cutoff quantity. Quantity differences will be identified on the F-24B Location Reconciliation Quantity Discrepancies. Quantity errors will be counted but will not be used in calculating the Location Reconciliation accuracy rate. DIC DZH transactions identified as Type II errors, Condition Code mismatches, or Unit of Issue mismatches are excluded from the quantity comparison. Also, only lines above a DSC specified dollar value will appear on the F-24B. If not otherwise specified a default value of \$2,500 will be used.

h. For the inventory requests, as generated above:

(1) If the item has backorders, the ICC is E or U, or the error involves Condition Code L materiel the DIC ZJA will be output as a DIC DJA (through the physical inventory programs) to the depot. A PICD of nine days after the processing date will be assigned to the transaction.

(2) Otherwise, the DIC ZJA will be output to the Inventory Accounting Branch (IAB), DSO.

(3) Only one DIC DJA/ZJA will be output for an NSN and location.

(4) Inventory requests (DIC DJA/ZJA) will not be output for items having a Unit of Issue mismatch (DIC DZB with a 5 in pos. 7).

(5) Inventory requests will not be output for replacing NSNs if a DIC DZH was received for the deleted (replaced) NSN, i.e., DIC DZB transactions with a 2 in pos. 7 will be matched (by reference NSN) to DIC ZJA transactions.

i. One DIC DZB will be output for an NSN and location. Multiple DIC DZBs with the same code in pos. 7 will be combined into one DIC DZB with the appropriate code to identify the error condition. Multiple DIC DZB error conditions for the same NSN and location will be identified by a single DIC DZB with a 6 in pos. 7.

j. The Location Reconciliation Error Listing, F-24A, will be produced to show all DICs DZB, DZG, DJA, D8B, D9B and ZJA. Summary statistical data (total and net errors by error category, number of NSNs reconciled and the accuracy rate) will be provided on the Location Reconciliation Error Analysis, F-24C.

#### SECTION IV - SPECIAL AND SPOT INVENTORIES

##### 207401 - GENERAL

a. DIC DJB is utilized for Inventory notification from non-DDS depots. DDS depots utilize DIC DJA transactions to initiate inventories, however do not provide notification to the DSC.

b. DIC ZJA is also utilized by DSO to request Special and Spot Inventories in accordance with a Type of Physical Inventory/Transaction History (TPI/THC) Code (appendix A-18).

c. DSO may request a Spot Inventory to reconcile stock records because of warehouse denial or in connection with an official investigation, board proceedings or for any other justifiable need.

d. Because of the expense involved, there must be compelling reasons for requesting Special/Spot Inventories and judgment must be applied on the basis of operational necessity. Inventories will not be requested for inconsequential quantities with a low dollar value (\$800 or less) dropped from the accountable record as a result of warehouse denials, unless the demand involved is of a highly critical nature or there is tangible evidence that an error has occurred, e.g., recent receipt without issue activity. Special/Spot Inventories are mechanically generated for a stocked NSN.

(1) As the result of inventory losses created by warehouse denials or inventory gains created to process decentralized issues when:

(a) The item is under inventory at the applicable location (updates DIC D8/D9 suspense in the Inventory Control Master File).

(b) The item is assigned Inventory Category Code E or U.

(c) The item is assigned Weapon System Indicator Code (WSIC) F or  
L.

(d) The item is assigned WSIC G, H, J or T and the total system On-Hand Issuable Assets (OHIA) quantity is less than or equal to the items Reorder Point Level (ROPL).

(e) The item is a stocked NSN and the OHIA quantity is equal to zero or less than the UMMIPS Control Level quantity; or the dollar value of the DIC D8A/D9As for the stocked NSN is greater than \$800.

(2) When an NIR MRO Inhibit Code has been established to prevent the mechanical edit from a suspect balance at a Navy SSP and the inhibit code has not been lifted after 5 days (as described in chapter 4, DIC A4\_, Referral Order processing).

#### 207402 - REQUEST FOR SPECIAL AND SPOT INVENTORY

a. When it is determined that inventory other than mechanically generated is required, DSO will submit to IPC an inventory request in the format prescribed in appendix B-26, reflecting DIC ZJA, TPI/THC as appropriate (see appendix A-18) and PICD (see appendix E-026 P). If the Type of Inventory is D or F and the request is for a DDS depot, the PICD should be left blank. AUTODIN media will be used to request Physical Inventories, and DIC DJA will be output to distribution depots (the PICD will be determined by DSO, but will be at least 10 calendar days subsequent to the date of the request). If the inventory is for a single specific condition within the NSN, the Condition Code will be entered in pos. 71 and TPI/THC D or F in pos. 7. Otherwise, pos. 71 will be left blank and TPI/THC C or E will be requested. The inventory request, DIC ZJA, will be forwarded to the respective IPC for processing.

b. The IPC or other appropriate element will generate a Physical Inventory Request Cancellation Document, DIC DJA (appendix B-504) from the data shown on DIC ZJA Inventory Request/Document.

c. A validity check will be made against the data contained on the Physical Inventory Request/Cancellation Document. Documents passing the validity check will be processed as prescribed in subparagraph g below. A violation notice will be prepared for each Physical Inventory Request/Cancellation Document failing to pass the validity check. The violation notice will be in the format of appendix B-66, F-122 or F-117 and contain the same data as the Physical Inventory Request/Cancellation Document except that the appropriate control number and VRC (appendix A-82) will be recorded therein.

d. Violation notices will be forwarded to DSO and processed in accordance with appendix E-026 V. IPC will maintain a suspense file for special/spot inventory violations and reprocess reentry documents as prescribed in chapter 49.

e. For non-DDS depots, IPC will use the Physical Inventory Request/Cancellation Documents to provide for automatically recording the stock record balances (excluding Purpose L and Condition Codes K and H) for items to be inventoried as of the conclusion of business on the PICD. These balances will be retained for comparison with the Physical

Inventory Count Documents (DIC DKA) subsequently received from the distribution activity until automatically canceled (see section

VII) or until canceled by the Item Manager (IM) (see appendix B-113 for format of cancellation document). Requests for special or spot inventories at depots operating under the Defense Distribution System are mechanically forwarded to those activities by the respective IPC. DDS depots maintain inventory control on items which they store, therefore similar controls are not required at the DSC. As such, any balance comparison between assets physically counted and those on record is accomplished at the depot and the resulting adjustment, if any, is forwarded to the DSC utilizing DIC D8\_/D9\_. Physical Inventory Count transactions (DIC DKA) are not submitted to the DSC by DDS depots.

f. For non-DDS depots, MROs prepared after the conclusion of business on the PICD will reflect the inventory in-process (after cutoff) Code U in pos. 72. Management Code R will be transmitted in all MROs from the time the NIR is flagged for inventory through COB on PICD (see section VI for processing Physical Inventory Count Documents received from the distribution activity as the result of inventories). Management Codes R and U are not required on MROs destined for DDS depots, and will not be transmitted to those activities.

g. Upon receipt of Navy and Air Force submitted inventory notifications (DIC DJB) and count documents (DIC DKA) which contain TPI/THC A or B, the system will perform the following:

- (1) Convert TPI/THC to C.
- (2) Set inventory cancellation date to PICD plus 35 days.

#### SECTION V - COMPLETE INVENTORIES

##### 207501 - GENERAL

a. Requests for complete inventories (TPI/THC A) will be initiated by the DSC. For the purposes of reporting on complete inventories, depots operating under the Defense Distribution System will be considered DLA depots.

b. After receipt of complete inventory requests, the distribution activities will schedule inventories based on available resources for the quarter.

#### SECTION VI - PROCESSING INVENTORY COUNT DOCUMENTS

##### 207601 - PROCESSING INVENTORY COUNT DOCUMENTS

a. IPC will receive from non-DDS distribution activities a summarized Inventory Count Document, DIC DKA, appendix B-25, for each NSN by Condition Code. All incoming counts will be validated and processed by the IPC. The validation includes matching the count documents against open violations in the Violation Control File (DICs: AG6, AGJ, ARA, ARB, ARK, ARL, AUA, AUB, DAC, DE\_, D4\_, D6\_, D7\_, D8\_ and D9\_). For DIC ARA, ARB, AUA or AUB, the match will be for NSN. For the other listed DICs, the match will be for NSN

and location. GFM Control File violations (VRC 9\_) are excluded as are D4\_, D6\_ or D7\_ violations which reflect a depot receipt/issue date, pos. 73-75, which is after the PICD. Count documents matching applicable open violations will be output as controlled violations, VRC FY, to the DSO. A listing, in the format of appendix F-118E, will be produced to identify the DIC DKA to the corresponding accountable transaction (receipt/issue/adjustment) violations. Violation Reason Code FY violations will be researched to determine if the accountable transaction violation quantities were included/excluded from the count and/or DSC Cutoff Balance quantity, in accordance with appendix E-025 V. When the DSC Cutoff Balance erroneously includes/excludes the receipt/issue/adjustment related violation quantity, the DIC DKA quantity may be increased/decreased to prevent erroneous inventory gains/losses, DIC D8A/D9A, from posting to the records.

b. Depots operating under the Defense Distribution System (DDS) do not submit Inventory Count Transactions (DIC DKA) to the DCSs. Inventory controls for these depots are maintained at the distribution activity, hence, adjustments (DIC D8A/D9A) resulting from physical inventory are transmitted to the DSC. If no adjustments are required, the DDS depot will input DIC D8A document with zero quantity, valid TPIC and a blank condition code.

c. Upon receipt of Navy and Air Force storage activity submitted count documents (DIC DKA) with TPIC A or B, the system will convert to TPIC C and process as a Special Inventory.

d. The Air Force Stock Control System and SAMMS assume accountable responsibility and control of physical inventory. This dual control effort results in assignment of different PICDs within each system. Since the DIC CKE documents are not transmitted to Air Force storage activities, an alternative method has been developed to process DIC DKA count transaction received from Air Force storage activities.

In processing the DIC DKA transaction, the NIRF will be scanned for the storage activity and Condition Code for the NSN indicated on the DIC DKA, as well as the Date of Last Activity (DOLA) and the following logic will be applied, in addition to normal edits.

(a) If the PICD recorded in the DIC DKA is greater than the ICMF PICD and the date of last activity is less than the ICMF PICD, indicating no inventory actions have occurred, SAMMS will overwrite the DIC DKA PICD with the ICMF PICD and the DIC DKA will continue processing.

(b) If the PICD recorded in the DIC DKA is greater than the ICMF PICD and the date of last activity is greater than the ICMF PICD, indicating inventory actions have occurred, SAMMS will violate the transaction as an uncontrolled violation with Violation Reason Code HQ.

(c) If the PICD recorded in the DIC DKA is less than the ICMF PICD and the current processing date is less than the ICMF PICD, the DIC DKA will be suspended from processing until the ICMF PICD has expired. Once

the PICD is breached, the DIC DKA will be processed against the following checks.

1. If the DIC DKA PICD is less than the ICMF PICD a check will be performed against the date of last activity recorded in the NIRF. If the DOLA is greater than or equal to the DKA PICD, indicating inventory actions have occurred, SAMMS will violate the transaction as an uncontrolled violation with Violation Reason Code HQ.

2. If the DOLA is less than the DKA PICD, indicating no inventory actions have occurred, SAMMS will overwrite the DIC DKA PICD with the ICMF PICD and the DIC DKA will continue processing.

e. Other error conditions will result in violation output. The DSO will review and correct the violations in accordance with appendix E-025 V.

f. IPC will process the violation reentry document in accordance with chapter 49.

g. Physical Inventory Count Documents will be matched against the cutoff Stock Record Balance File to detect quantity differences. An Inventory Adjustment Transaction (DIC D8A or D9A) and IAV Listing (F-16) will be prepared for all adjustments as prescribed in chapter 5. DICs D8A and D9A transactions will be processed to NIRF as prescribed in chapter 5. DIC D8A transaction for zero quantity will be processed when no discrepancy is involved. IAV listings will be forwarded to DSO and will include the Lot Number when sample or complete inventories are involved.

h. For Complete Inventories (Type Physical Inventory/Transaction History Code A), DIC DKA received from non-DDS depots will update Date of Last Inventory on the NIR to the system date. For DDS depots, DICs D8\_ and D9\_ with TPI/THC A will update the Date of Last Inventory. Date of Last Inventory is used to compute Months Since Last Inventory for inclusion in the Inventory Priority formula (see appendix E-216). If DIC DKA, D8\_ or D9\_ with TPI/THC A are processed in the subsequent quarter following the quarter the DSC generated the inventory request, the inventory results will not be included in the DSCs F-336 - Scheduled Inventory Accomplishment Report.

i. DSO will perform required research of discrepancies reflected in IAVs (F-13 and F-16) as prescribed in chapter 5. Adjustments and IAVs resulting from research will also be processed as prescribed in chapter 5.

j. For complete inventories, a copy of the IAV (F-16) pointing out deficiencies (if any) may be forwarded to the distribution activities by DSO.

k. Stock Record Balance Files and Physical Inventory Count Files will be retained by IPC for at least 90 days after the PICD for each inventory.

207602 - SUMMARY OF INVENTORY ADJUSTMENTS

a. Appendix F-240A, Dollar Value Summary of Inventory Adjustments, and F-240B, Dollar Value Summary of Inventory Adjustments for Type LR Code K, will be furnished to DSO (Accountable Officer/Inventory Monitor) monthly.

b. One copy will be forwarded to DLA-OS by DSO, and other copy will be utilized to detect areas that cause unusual and/or the greatest amount of inventory adjustments with a view toward initiating action to reduce adjustments where possible.

## SECTION VII - MECHANICAL CANCELLATION OF PHYSICAL INVENTORIES

### 207701 - GENERAL

a. Inventory controls for depots operating under the Defense Distribution System (DDS) are not maintained in SAMMS, therefore inventories cannot be automatically canceled.

b. Inventories for non-DDS depots will be automatically canceled by the ICP for the following reasons.

(1) Nonreceipt of DIC DKA documents 20 days after PICD for Special and Spot Inventories and 35 days after PICD for complete inventories.

(2) Catalog change actions, to include item deletion (Type Change Code D\_), Unit of Issue changes, or Logistics Reassignment Losses, are processed against items under inventory. See chapter 48 and appendix A-94 for specific codes and detailed criteria.

(3) DIC ZLC (Disposal Action) is input against an item under inventory.

c. The following override criteria will be utilized in the processing of physical inventory requests for non-DDS depots:

(1) If the ICMF was already established from a mechanically generated Spot Inventory Request which was triggered by processing DIC A6\_, AE6 or D7\_ and DIC ZJA is received, the DIC ZJA will be rejected under VRC C9. If DIC DJB is received, the Spot Inventories TPI/THC and COD will be overlaid by the DIC DJB, TPIC and COD; the Special Inventory Request will be rejected under VRC C9.

(2) If the ICMF was already established from DIC DJB or ZJA but denial suspense must be established (ICMF from DIC A6\_, AE6 or D7\_), the DIC D8/D9 quantity fields of the mechanically generated DIC ZJA will be used to update the ICMF and the internal DIC ZJA will then be swallowed and no violation will be output. Denial suspense procedures are outlined in chapter 5, subparagraph 205502b(3)(b).

d. When automatic cancellation of an inventory is generated by the IPC, because the expiration date is reached, in accordance with above, a Physical Inventory Cancellation document DIC ZAR, (appendix B-113) will be generated and processed; and a F-211D Automatic Inventory Cancellation Listing, will be furnished to DSO, Item Manager. When internal cancellations are effected because of Catalog Change actions, all in-process inventories for the NSN will also be output on the F-211D.

e. Internal techniques will be developed by IPC to identify mechanically generated inventory cancellations and reasons therefore.

f. Inventory Reject Documents, DIC CK4, will be received from non-DDS distribution activities as a notification of canceled/rejected inventories. Valid DIC CK4 transactions will cancel inventory suspense at the DSC and the rejected/canceled inventory will be identified on the F-211B, Depot Initiated Inventory Cancellation/Reject Report. Research and processing instructions for DIC CK4 violation output are contained in appendix E-113 V. DDS depots do not notify DSCs when inventories are canceled or rejected.

207702 - COORDINATION OF MECHANICAL CANCELLATION OF INVENTORIES

a. DSO, Item Manager, will receive a printout listing of each mechanically generated cancellation in format of appendix F-211D.

b. Listing will be reviewed and processed in accordance with appendix E-113 V where applicable. The appropriate distribution activity will be notified via telephone or TWX of such cancellation in order that the distribution depot may cancel from their records.

SECTION VIII - DEPOT BALANCE AND TRANSACTION REGISTER (DB&TR) PROGRAM

207801 - GENERAL

a. In support of the DB&TR program, DSCs will provide the following data to all non-DDS DLA operated depots which store their materiel:

<u>DATA ELEMENT</u>	<u>FREQUENCY</u>
DIC D8_/D9_ Adjustments	Daily
*Asset Tape	Monthly
Violation Control File (Tape)	Monthly
THF (Tape)	Monthly

All of the above data will be tailored by depot. The daily DIC D8\_/D9\_ adjustments will be furnished by AUTODIN routed to DAAS. IPC will ensure that the monthly tapes are sent to the IPC at the depots via registered mail or via any private delivery service which provides fast delivery and protection. The protection must be similar to registered mail so that any lost or delayed shipments may be traced. Tapes will be mailed so as to arrive no later than the 10th day of the following month. Cutoff dates for the tapes are always COB as of the last day of each month. Record layouts for the tapes are as specified in DLAM 4745.2, Volume II.

\*This tape (only) is also provided to DDS Sharpe Army Depot for visibility of Materiel Acquisition Unit Cost.

b. Upon receipt of the data from DSCs, non-DDS DLA operated depots will match against their records and advise DSCs of any discrepancies through submission of a DLA Form 1301, Depot Balance and/or Transaction

Discrepancy, to the LPD at each DSC. DSC processing of this form will be as specified in appendix E-259 P.

SECTION IX - REPORTS

207901 - DSC INVENTORY PERFORMANCE EFFECTIVENESS REPORT AND LOCATION RECONCILIATION REPORT

a. These reports are prepared and are forwarded by the Inventory Accounting Branch (IAB), DSO, each quarter to cover inventories, location reconciliations and related actions. RCS DD-M(Q)935 is assigned. Location Reconciliation Reports will be mechanically generated in format of appendix F-24 (Location Reconciliation Error Listing and Analysis). Inventory Control Effectiveness Reports will be manually prepared on DLA Form 1377, Report of Inventory Control Effectiveness, parts I, II and IV based on internal actions and feeder reports, e.g., F-13, F-16, F-24 and Inventory Schedules. DSCs will report summary reversal data (dollar value and number of transactions) from appendix F-240 on the DLA Form 1377, part IV. DLA Form 1377 will be forwarded via mail to HQ DLA, ATTN: DLA-OSC not later than 15 days subsequent to period covered. One copy of appendix F-250 (MOWASP) prepared by DLA depots will be furnished DSO (IM) for informational purposes.

b. Scheduling and accomplishment reporting of Complete Inventories (TPI/THC A) will be achieved using the following reports which are generated by cycle/month to the Inventory and Accounting Branch (IAB). IAB will forward copies to HQ DLA, ATTN: DLA-OSC, not later than 10 days after the report date.

- (1) F-334, NSN Inventory Priority Percentile Range Report.
- (2) F-335, Scheduled Inventory Requests Report.
- (3) F-336, Scheduled Inventory Accomplishment Report.
- (4) F-338, Scheduled Non-DLA Inventory Requests Report.

207902 - INVENTORY PROGRAM ANALYSIS

a. An important part of the physical inventory program is the determination of system and procedural deficiencies. The DSO will analyze, on a continuing basis, documentation and procedures attendant to conduct of inventory and location reconciliation. Deficiencies will be determined and corrective action taken, as appropriate. Significant trends/adverse impact will be reflected in the remarks portion of the applicable report prescribed herein.

b. In addition to above reports, DSO Item Manager will submit a Narrative Evaluation Report of Inventory and Location Reconciliation performance each month highlighting areas of unsatisfactory performance, contributing circumstances and conditions and appropriate corrective actions initiated. Evaluation reports will accompany reports required in paragraph 2071001.