

CHAPTER 29

QUARTERLY REVIEW AND FRACTIONATION

SECTION I - GENERAL

229101 - PURPOSE

To provide for a mechanical quarterly review of all items assigned a DSC for management and to permit mechanical fractionation reporting of demands and assets for all centrally stocked and managed items.

229102 - SCOPE

Applicable to DSO and ODS.

229103 - POLICY

a. Quarterly Review:

(1) All items in the DLA System are subject to a mechanical review on a quarterly basis. This review validates changes and/or recommends for change the AIC, ICC, and the DVC, as applicable, to govern the management of the item.

(2) The AIC, ICC, and/or DVC may be changed manually by input of DIC ZR3, appendix B-189, if a demand pattern develops during the quarter which is sufficient to warrant a change.

b. Fractionation:

(1) It is the policy to fractionate all Family Numbers in the DLA centrally stocked and managed assets (SSCs 1, 4, 5, 6, 7, 8, and A items are recognized and used in the Fractionation portion of the process). FSSCs are used in the Item Frequency portion on the basis of annual demands and unit cost under the fractionation symbols reflected in appendix A-52.

(2) Each DSC will mechanically prepare fractionation summaries for Replenishment Demand Items and NSO Items showing the number of items and dollar value of its centrally stocked and managed assets. The Fractionation process will be part of the quarterly scheduled routines. However, fractionation summaries may be prepared quarterly or not less than semiannually upon completion of the Stratification process. Summaries will consist of a minimum of six tables for each report. Semiannually, all SSC items will be reviewed to generate the Item Frequency portion of the Fractionation Report.

(3) Conducting the quarterly item review and preparing statistical data, summary reports, and/or recommended actions.

(4) Conducting the fractionation of demands and assets either quarterly or semi-annually upon completion of the Stratification process for Replenishment Demand and NSO Items, and preparing fractionation reports for each category of items.

(5) Statistical data and reports are forwarded to DSO for review relative to updating management data as applicable. The fractionation report is forwarded to HQ DLA.

SECTION II - PROCEDURES

229201 - QUARTERLY ITEM REVIEW

a. General:

(1) All items are initially assigned an AIC N or E. Items coded N (new items) have been in the DLA System less than two years and the demand pattern is not sufficient to permit mechanical forecasting. Items coded E (established items) have been in the DLA System two years or more, or a demand pattern sufficient to warrant mechanical forecasting has been established within the first two years.

(2) The quarterly item review mechanically validates and/or reclassifies new items; validates and/or recommends for change Replenishment Demand Items and NSO Items; and permits item migration from/to High, Medium, or Low Value Demand Categories.

(3) The date management of item is assumed determines if the AIC is to be changed, and the demand pattern determines if the ICC (appendix A-87) is to be changed. The forecast prepared at the end of the quarter is based on the current coding of the item. The quarterly review will, on the basis of the forecast, determine if the DVC (appendix A-85) is to be changed.

(4) The adjustments made in above subparagraph enable subsequent forecasts to be prepared on the frequency required by the item classification. It does not affect the forecast prepared at the time of the quarterly review.

(5) Products resulting from the quarterly review consist of changes to the AIC, ICC, and the DVC in the mechanical record of the individual items. Products generated for review include summary listings indicating item is recommended for NSO add or delete.

b. Updating the AIC: Items in the system less than one quarter are excluded from the Quarterly Review. However, they are entered in the Classification of Items after Quarterly Review Report, appendix F-10.

(1) ODS will mechanically check the date management was assumed by DSC.

(2) If the item has been in the system less than two years and the AIC is other than N or E, assign AIC N.

(3) If the item has been in the system two years or more, and the AIC is other than E, assign AIC E.

c. Reviewing the ICC: The ODS will accomplish the following:

(1) If the item is coded as an NSO Item, ICC B, AIC E and has experienced three or more demand frequencies for a quantity of 12 or more during the past 12 months, add the item to appendix F-8.

(2) If the item is coded as a Replenishment Demand Item, ICC 1:

(a) Check the number of units of the item requisitioned and the number of demands recorded in the Demand History File during the past four quarters.

(b) If the number of annual demand frequencies is three or more for 12 or more annual demand units having an annual demand value for demand units of \$20 or more (using Acquisition Unit Cost), the item is properly classified as a Replenishment Demand Item, ICC 1.

(c) If the item received one or two demand frequencies during the past year, and the total demand quantity is less than the assets on the item, the item will remain classified as an ICC 1 item.

(d) If the number of annual demand frequencies is less than three, and/or the number of annual demand units is less than 12, and/or the annual demand value for demand units is less than \$20 (using Acquisition Unit Cost), and the assets are less than the total demand quantity, prepare a Recommended Add/Delete - NSO Item Listing, and forward to DSO. In general, NSO items will be assigned an NSO quantity of one or more. A zero NSO quantity will be assigned to:

1. NSO items with an FSSC of 2, 3, or 9, or

2. NSO items when the last user and the DSC are withdrawn from the item under the DIIP.

(3) If the item is coded as a NSO Item, ICC 2, check the number of units of the item requisitioned and the number of demands recorded in the Demand History File during the past four quarters.

(a) If the number of units of the item requisitioned is less than 12, and/or the number of demands is less than three, and/or the annual demand value for demand units is less than \$20 (using Acquisition Unit Cost), the item is properly classified as a NSO Item, ICC 2.

(b) If the number of units of the item requisitioned is 12 or more, and the number of demands is three or more, and the annual demand value for demand units is more than \$20 (using Acquisition Unit Cost), not including FMS demands, Service Codes C0, E0, and P0; change the ICC to 1 and proceed with subparagraphs (c) through (i) below, to establish item as Low Value.

(c) Assign DVC L.

(d) Set the NSO quantity at zero.

(e) If the item is coded VIP or M, assign Single Smoothed Average for each location equal to the past year's demands for that location

divided by 12. If the item is coded non-VIP, the same basic formula will apply except demands will be divided by 4.

(f) For VIP and non-VIP items, assigned the System Single Smoothed Average based on locations equal to the sum of Single Smoothed Averages for location; S_t (System-Location) = Sum S_t (Location k).

(g) Assign the System Double Smoothed Average based on locations equal to the System Single Smoothed Average based on locations; S_t^2 (System-Location) = S_t (System-Location).

(h) If the item is coded VIP or M, assign QFD equal to three times the System Single Smoothed Average based on locations; $QFD = 3 S_t$ (System-Location). If the item is non-VIP, the QFD will equal the System Single Smoothed Average based on location; $QFD = S_t$ (System-Location).

(i) Calculate an estimate of MAD as follows:

1. Obtain the total of actual recurring demands and nonrecurring demands by quarter for the past year. For the clothing and textile commodity, also include A and B coded recurring and nonrecurring demands.

2. Calculate the average demand from each of the quarterly demands by taking the sum of the quarterly demands and dividing by 4.

3. Subtract the average demand from each of the quarterly demands and disregard the sign (+) of the difference.

4. Add the differences together and divide by 7 if the item is VIP, or 4 if the item is non-VIP. The result is the estimated MAD.

(j) For VIP and non-VIP items, set the Tracking Signal Correction Counter and the Cumulating Algebraic Sum of Forecast Errors at zero and blank the Out-of-Track Indicator.

(k) Assign the Program Change Factor Applicability Code at X; Program Change Factors will not automatically apply.

(l) For new items, assign a Fixed Safety Level. For established items, assign a Variable Safety Level.

d. Change of DVCs:

(1) ODS will categorize each item by demand value as follows: divide the sum of the program-based requirements (initial issue and replenishment) for the next twelve months by four, add the quotient obtained to the System QFD, and multiply the sum obtained by the Acquisition Unit Cost of the NSN to obtain the Dollar Value of Quarterly Forecast of Demand ($DVQD_t$). When the item has a DVCH before the Quarterly Review, ODS will ensure that the ANRDP computation precedes and the results used in the QFD calculations as required in Recurring Demand.

(a) Items with $DVQD_t$ of \$100 or less are considered Low Value Items.

(b) Items with a $DVQD_t$ of greater than 100, but equal to or less than \$1125, are considered Medium Value Items.

(c) Items with a $DVQD_t$ of greater than \$1125 are considered High Value Items.

(2) Items migrating from NSO to Age of Item Code E (Established), ICC 1 or P, Low, Medium, or High Demand Value will be adjusted, as required, to establish a Variable Safety Level.

(3) Items migrating from Age of Item Code N (New) to E (Established), Low, Medium, or High Demand Value will automatically be changed to a Variable Safety Level IAW chapter 56.

(4) All items that migrate will enter data into the Demand Value Change Listing, appendix F-9, for printout and review by the DSO.

(5) Any item having a Safety Level Inhibit Code P, Permanent Inhibit, will have the Safety Level Quantity inhibited. The Fixed to Variable Safety Level Code (F to V) migration will not be processed.

e. The Classification of Items after Quarterly Review Report, appendix F-10:

(1) All items that enter Quarterly Item Review will be included in the Classification of Items after Quarterly Review Report. This will include:

(a) Items in the System less than one quarter.

(b) NSO Items, ICC 2 or B.

(c) Replenishment Items, ICC 1 or P.

(2) The report will be forwarded to DSO for review.

229202 - FRACTIONATION

Fractionation reports will be prepared for Replenishment Demand Items, NSO Items, and a summary of VIP Items. Each report consists of six tables and is mechanically computed.

a. Appendix F-41, Fractionation Summary Listing, is automatically output during the Quarterly Inventory Review process. This report provides DSO with data which will provide a basis for employing selective management techniques, inventory composition evaluation and turnover rates, and systems review and analysis. Additionally, the total DSC portion is forwarded to DLA semiannually, September and March. Included will be the semiannual Item Frequency Summary based on actual item frequency and actual annual demand for all items. No NSO quantity, QFD/New or QFD/System quantities will be used, only actual demands. The Item Frequency portion recognizes and uses FSSCs whenever the entry is other than N, No change.

b. Appendix F-46, Management Grouping Listing, can be generated weekly as a result of appendix B-87, DIC ZRE inquiry. This listing provides a Fractionation type listing for Supply Management Grouping Coded items, appendix A-69, to be accorded varying degrees of management intensity in the supply management process.

c. Appendix F-135, High Frequency Item Listing, can be generated once during the quarter as a result of appendix B-87, DIC ZRE inquiry. This listing advises management the items which are being requested the most number of times and are candidates for changing to VIP status and/or require more extensive management.

d. Appendix F-263, Fractionation Backup Listing, can be generated weekly by FSC, as a result of appendix B-87, DIC ZRE inquiry. This listing provides a Fractionation Backup and summary of all the Family Numbers that make up an entry in the FSC portion of appendix F-41, which is the quarterly Fractionation Record File.