



DEFENSE LOGISTICS AGENCY  
HEADQUARTERS  
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FORT BELVOIR, VIRGINIA 22060-6221

November 20, 2007

IN REPLY  
REFER TO

DLMSO

MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE (PRC) MEMBERS

SUBJECT: Approved Defense Logistics Management System (DLMS) Change (ADC) 255,  
Storage Activity Accountability to Service Materiel Owners (Supply) (Staffed by  
PDC 241A)

The attached change to DOD 4000.25-M, DLMS, and DOD 4000.25-2-M, Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP), is approved for implementation. This change will be published in DLMS Formal Change 5 and in the reissue to MILSTRAP.

Addressees may direct questions to the DLMSO point of contact, Ms. Mary Jane Johnson, e-mail: [Mary.Jane.Johnson@dla.mil](mailto:Mary.Jane.Johnson@dla.mil). Others must contact their Component designated Supply PRC or JPIWG representative.

A handwritten signature in blue ink, appearing to read "Donald C. Pipp".

DONALD C. PIPP  
Director  
Defense Logistics Management  
Standards Office

Attachment

cc:  
DUSD(L&MR)SCI  
JPIWG

**ATTACHMENT TO ADC 255**  
**Storage Activity Accountability to Service Materiel Owners (Supply)**

**1. ORIGINATOR:**

- a. Service/Agency:** Navy, DLA, and the Defense Logistics Management Standards Office (DLMSO)
- b. Originator:**

(1) NAVSUP 4B1H, Navy Joint Physical Inventory Working Group (JPIWG) representative, commercial phone 717-605-7513, DSN 430-7513

(2) DLA J-373, DLA JPIWG representative, 703-767-1606, DSN 427-1606

(3) DLMSO, Ms. Mary Jane Johnson, JPIWG Chair, e-mail: Mary.Jane.johnson@dla.mil

**2. FUNCTIONAL AREA:** Supply/Physical Inventory

**3. REFERENCES:**

- a.** DOD 4000.25-M, Defense Logistics Management System (DLMS)
- b.** DOD 4000.25-2-M, Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP)
- c.** DLMSO Memorandum , November 8, 2006, subject: Joint Physical Inventory Working Group (JPIWG) Meeting, November 2, 2006
- d.** DLMSO memorandum, April 2, 2007, subject: PDC 241, Storage Activity Accountability to Service Materiel Owners (Supply)
- e.** DLMSO memorandum, May 22, 2007, subject: JPIWG Meeting, April 28, 2007
- f.** DLMSO memorandum, July 6, 2007, subject: PDC 241A, Storage Activity Accountability to Service Materiel Owners (Supply)

**4. REQUESTED CHANGE:**

- a. Title:** Storage Activity Accountability to Service Materiel Owners
- b. Description of Change:** According to DOD 4000.25-M, DLMS (reference 3.a.), Vol 2, chapter 6, paragraph C6.2.5.1, and DOD 4000.25-2-M, MILSTRAP (reference 3.b.), Chapter 7, paragraph C.7.2.5.1, the storage activity is responsible for “investigating and assessing financial liability for loss, damage and destruction of Government property”. Navy noted that the Defense Logistics Agency (DLA) Defense Distribution Depot (hereafter referred to as storage activity) notifies the Service materiel owners by transaction report each time an asset is lost by inventory or gained by inventory, or when such an inventory adjustment is reversed, however, the Services bear the financial impact associated with loss that may occur for service-owned materiel lost by the storage activity. There is no DOD (MILSTRAP/DLMS) requirement for the owning services to receive any explanation of the losses, gains or reversals; they just receive the transaction by which they must update their Service asset balances and Service financial accounts. Therefore, the Services have no knowledge of why Service assets that they had considered in their materiel requirements planning were not available to meet warfighter needs when required.

Current MILSTRAP/DLMS procedures do however require that each time the storage activity does an adjustment that exceeds \$16K in extended monetary value; the storage activity is required to do Causative research. Navy originally submitted this PDC to DLMSO proposing that “*The storage activity will provide copies of the completed Causative Research Inventory Adjustment Vouchers (IAVs) for all inventory adjustments completed that quarter, valued at \$16K or above, to the owning DOD Component, if requested by the Component.*” However DLMSO notes DLAM 4140.2, (Joint DLA, Army, Navy, AF) Vol. 1, Chapter 5, prescribes the use of Inventory Adjustment Vouches (IAV) (DLA Form 433); but it does not prescribe submitting the IAVs to the Services. The IAV is a DLA form, and therefore cannot be promulgated by DOD. The process of converting the form to a DOD form would require a lengthy and costly process. By PDC 241 DLMSO proposed an alternative solution to serve the desired purpose of the original Navy change proposal, while not requiring conversion of the DLA IAV to a DOD form: the storage activity shall send a quarterly summary of the causative research results -- for each individual NIIN – to the commander of the storage activity concerned and to the inventory owners. The proposed requirement was further evaluated and revised by DLA and Navy after discussion at the April 18, 2007, JPIWG meeting, resulting in PDC 241A.

c. **Procedures:** Revise DOD 4000.25-M (DLMS), Volume 2, chapter 6, subparagraph C6.4.6.1 (and corresponding DOD 4000.25-2-M (MILSTRAP C7.4.6.1), as follows (change from current publication is identified by **red, bold italics, change from PDC 241A is also double underscore and highlighted**):

**“DLMS C6.4.6. Error Cause Feedback and Correction**

C6.4.6.1. Causative History Summary. The storage activity shall send a quarterly summary of the causative research results ~~—by the error classification code—~~ for each individual NIIN to the commander of the storage activity concerned and to the Inventory Owners **or the service International Logistics Control Activity in the case of FMS-owned materiel.** ~~The summary information shall be provided for all adjustments of extended dollar value greater than \$16K and any adjustment of an item with a CIIC code that is Classified, Sensitive or Pilferable. and provide feedback to the commander of the storage activity concerned. As a minimum, the activity shall include a summary of the number and value of adjustments by error classification code As a minimum, the summary provided shall include, for each NIIN: supply condition code, **DLMS 947I or MILSTRAP** Document Identifier Code D8\_ or D9\_, quantity adjusted, routing identifier (RI) code of the storage activity making the adjustment, error classification code, controlled inventory item code, date created, date completed, and total adjusted dollar value.~~

C6.4.6.2. Error Correction.

***C6.4.6.2.1. Storage Activity Commanders. Commanders at the storage activities shall use this information to identify and correct recurring errors in their operations (e.g., through established depot training programs, quality control checks and other actions as required).***

***C6.4.6.2.2. Inventory Owners. Inventory Owners shall use this information as a means to gain insight into the adjustments and subsequent actions taken to resolve the error and to evaluate whether changes in procurement practices, cataloging data or other actions may be taken to prevent potential distribution errors. A single point of contact will be designated at the owner level to request information from DLA'.***

#### **d. REASON FOR CHANGE:**

(1) The DOD components are required to store their wholesale inventories in DLA distribution Depots. The storage activity will make a decision on who has financial liability for the materiel that is lost, damaged or destroyed, and makes this decision without the owning Service. The DLA Depots have the accountable inventory record for materiel in their custody, but the owning Services are financially responsible for both the materiel, and for paying storage and physical distribution transactions costs to DLA. When materiel is lost or gained, the Services must bear the financial and readiness impacts, but have no information about why the inventory adjustment occurred. In order for the Components to be good managers for their assets, they must be able to get information to explain reasons for these inventory and financial adjustments. Navy raised this issue at the November 2, 2006, JPIWG Meeting (reference 3.c.). There was significant interest in discussion of this topic at the meeting and Navy agreed to develop a PDC to address the issue/concerns and recommend a solution.

(2) PDC 241 (reference 3.d.) proposed a DLMS/MILSTRAP revision to address this issue. PDC 241 generated discussion at the April 18, 2007, JPIWG meeting (reference 3.e.). During the JPIWG discussions, the Air Force representative cautioned that the proposed summary of physical inventory adjustment research and conclusions must not be used to “second guess” the Distribution Depot’s decisions but rather as a tool in understanding the reasons for the adjustment and subsequent decisions at the owner’s level. The DLA HQ and Distribution Depot Center representative reported that they have been taking a second look at the PDC to come up with a solution on how best to serve the Components. The action item from the meeting was that DLA further review and verify the requirements of PDC 241 and provide recommended changes based on this review to update the requirement as needed for staffing with the Components. PDC 241A (reference 3.f.) was the result of that effort.

#### **5. ADVANTAGES AND DISADVANTAGES:**

**a. Advantages:** Under this change, a storage activity that is accountable for a DOD component’s property/materiel must be able to provide insight to the materiel owner for physical inventory adjustments (loss, gain, reversal or no conclusive findings) and loss, damage or destruction of that property, since the DOD component owner/manager must bear the financial burden.

**b. Disadvantages:** This may cause some additional clerical workload at the storage activity, to summarize the reasons for physical inventory adjustments and send them to the requesting DOD component. However, as the DLA SWARM program continues to reduce the numbers of adjustments, the volume of adjustment information provided by DLA will also decrease.

#### **6. IMPACT:**

##### **a. Publication(s):**

(1) Revise DOD 4000.25-M (DLMS) and DOD 4000.25-2-M (MILSTRAP) as noted above.

(2) Requires change to **DLAM 4140.2**, (Joint DLA, Army, Navy, AF) Vol. 1, Chapter 5 which prescribes the use of Inventory Adjustment Vouches (IAV) (DLA Form 433), to address providing information to Owing Services as addressed in this ADC.

(3) May require changes to other supporting DOD Component publications as needed.

**b. Procedures.** Impacts procedures affected by publication changes, for Depot to provide information, and for Service owners to receive and process information.

**7. PDC 241A COMMENTS AND DISPOSITION.** The following comments were received:

Organization	COMMENT	Disposition
DSCA	<p><b>DSCA COMMENT on behalf of Army:</b> On behalf of the Army, DSCA proposes the following change to paragraph C6.4.6.1 below. This change is based upon previous experience where storage activities have lost FMS-owned materiel that was awaiting maintenance action. It is conceivable that activities serving as FMS consolidation depots could also lose FMS owned materiel after receiving it and prior to shipping it to the FMS customer.</p> <p><b>PDC 241A excerpt, as modified by DSCA comment</b> (see <b>highlighted bold, blue, italicized</b> text for DSCA comment):</p> <p>“C6.4.6.1. <b>Causative History Summary.</b> The storage activity shall send a quarterly summary of the causative research results <del>—by the error classification code—</del> for each individual NIIN to the commander of the storage activity concerned and to the Inventory Owners <b>(or the service International Logistics Control Activity in the case of FMS-owned materiel).</b> The summary ...”</p>	<p>JPIWG concurred with change.</p> <p>Change incorporated</p>
DLA	<p>Concur. Jack Marshall (DLA SPRC rep) and Terry Simpson (DLA JPIWG rep)</p>	Noted
USA	<p>Concur. Jeff Bepko (Army JPIWG rep)</p>	Noted
USN	<p>Concur. Emily Burt-Hedrick (Navy JPIWG rep)</p>	Noted
USAF	<p>Concur. Don Kringen (Air Force JPIWG rep)</p>	Noted
DLMSO	<p>As a future enhancement, recommend DLMSO and the JPIWG consider whether a DLMS transaction could be used to convey the report information in a remarks field, or other data field. This could not be done under MILSTRAP, but could be investigated for use under the variable length DLMS transaction capability as a DLMS automated functionality to support the requirement. The feasibility of the automated function would depend upon the level of detail needed.</p> <p>If not too voluminous, the individual adjustment actions could include the narrative for electronic transmission and later retrieval by the owner. There is an NTE, Note, segment in the header of the inventory adjustment which could be used for narrative (there is a potential mapping issue if multiple adjustments are included in a single transmission).</p> <p>There are specific NTE01 qualifiers which could identify a narrative explanations needed for each adjustment action. The transaction could use multiple notes for separate narratives, e.g., ACN, Action Taken, and REC, Recommendation, etc.)</p> <p>The automation concept would be to plan for DSS to capture the narrative in the DLMS format and transmit to the material owner. The material owner would then have the explanatory information in their application, eliminating the need for a manually-prepared quarterly report. DDC and owners could query for summary information from their respective applications.</p> <p>A DAAS function to retain visibility of this information might be needed to support a mixed DLMS/MILS environment and elimination of the manual summary report.</p> <p>If this is feasible (and desired information is known at the time the DLMS transaction is created), this might be appropriate for consideration as a future DLMS enhancement.</p>	<p>Comment provided for JPIWG information and consideration.</p>