DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD
FORT BELVOIR, VIRGINIA 22060-6221

DLMSO

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MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE (SPRC) AND
JOINT PHYSICAL INVENTORY WORKING GROUP (JPIWG)

SUBJECT: Approved Defense Logistics Management System (DLMS) Change (ADC) 307,
Administrative Update to DLMS, Volume 2, Chapter 6, Physical Inventory Control,
and DLMS Supplements (DS) 846P, 846R, and 888I (Supply/MILSTRAP)

The attached administrative change to DOD 4000.25-M, DLMS, Volume 2, Chapter 6
is approved for publication. The updated chapter will be included either in the next DLMS
manual formal change or reissuance, whichever comes first.

Addressees may direct questions to the DLMSO point of contact, Ms. Mary Jane
Johnson, 703-767-0677; DSN 427-0677; or, e-mail: Mary.Jane.Johnson@dla.mil. Others
must contact their Component designated SPRC or JPIWG representative.

DONALD C. PIPP
Director
Defense Logistics Management
Standards Office

Attachment

cc:
DUSD(L&MR)SCI

ATTACHMENT TO ADC 307

Administrative Update to DLMS, Volume 2, Chapter 6, Physical Inventory Control and DLMS Supplements (DS) 846P, 846R, and 888I (Supply/MILSTRAP)

1. **Originator:**

   a. **Service/Agency:** Defense Logistics Management Standards Office (DLMSO)

   b. **Originator:** Ms. Mary Jane Johnson, MILSTRAP Administrator and Joint Physical Inventory Working Group (JPIWG) Chair, DLMSO, 703-767-0677, DSN 427-0677, or e-mail: Mary.Jane.Johnson@dla.mil

2. FUNCTIONAL AREA: Supply, Physical Inventory Control Program

3. REFERENCES:

   a. DoD 4000.25-M, DLMS, Volume 2 Supply**,** available at: http://www.dla.mil/j-6/dlmso/elibrary/manuals/dlms/v2.asp

   b. DLMSO memorandum, May 1, 2008, subject: DLMS Supply Process Review Committee (PRC) Meeting 08-01, April 8-10, 2008, available at: http://www.dla.mil/j-6/dlmso/Programs/Committees/Supply/supplyPRC.asp

   c. DLMSO memorandum, July 21, 2008, subject: Joint Physical Inventory Working Group (JPIWG) Meeting, June 25, 2008, available at: http://www.dla.mil/j-6/dlmso/Programs/Committees/JPIWG/JPIWG.asp

   d. DoD 4000.25-2-M, Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP) (http://www.dla.mil/j-6/dlmso/elibrary/Manuals/MILSTRAP/default.asp)

4. REQUESTED CHANGE:

   a. **Title**: Administrative Update to DLMS, Volume 2, Chapter 6, Physical Inventory Control and DLMS Supplements (DS) 846P, 846R, and 888I (Supply/MILSTRAP)

   b. **Description of Change:** As discussed at Supply PRC Meeting 08-1 (reference 3.b), and the June 25, 2008, JPIWG Meeting (reference 3.c), DLMSO has an ongoing initiative to combine the DLSS and DLMS manuals. The current process of maintaining two sets of publications, which contain essentially the same information for the different formats, is resource intensive, duplicative in nature, and no longer practical. This change makes administrative updates to the Physical Inventory Control chapter, which positions the chapter for movement to a combined manual, to include:

(1) Identify at the beginning of the DLMS chapter, the correlation between the Accredited Standards Committee (ASC) X12 beginning segment Report Type Code for DS 846P and 846R, and Transaction Type Code for DS 888I, as well as the functionality of the corresponding MILSTRAP transaction document identifier (DI) codes;

(2) Throughout the chapter uses a generic name for the transactions so that the procedures are format neutral and lend themselves to both DLMS and MILSTRAP use;

(3) Updates DS 846P, 846R, and 888I to clearly align the transaction titles with the beginning segment Report Type or Transaction Type Code functions, and the corresponding MILSTRAP functions;

c. **Procedures:**

(1) **Revise DLMS, Volume 2 Chapter 6,** as shown in the enclosure.

(2) **Revise the Table for Correlation of MILSTRAP Document Identifier (DI) Code Functionality to DLMS Supplements (DS),** to capture the varied transaction names/ purpose associated with the beginning segment Report Type Codes (table is available at: http://www.dla.mil/j-6/dlmso/eApplications/LogDataAdmin/dlssdlmscrossreftable.asp)**:**

CORRELATION OF MILSTRAP DOCUMENT IDENTIFIER (DI) CODE FUNCTIONALITY TO DLMS SUPPLEMENTS (DS)				
DS #	**DLMS Supplement Title**	**DI Code(s)**	**DS Accredited Standards Committee (ASC) X12 Functional Equivalent to MILSTRAP DI Code**	
			Beginning Segment	**Additional Information needed**
846P	Physical Inventory Request When used for a *Physical Inventory R*equest *Transaction* to initiate, follow up on, or cancel a physical inventory, BIA02 Code TC applies.	DJA *without Management Code R, S, or Y.*	1/BIA02/ 020 Report Type Code TC- Physical Inventory Request	None.
	When used for a *R*esponse to *Physical Inventory R*equest (without inventory balances), BIA02 Code DD applies. Use as a response relates to DJA with rp 72 Management Codes R (No record of stock number or no record of ownership); S (Physical inventory in workload bank or in process; and Y (Response to follow-up when inventory already complete).	DJA *with Management Code R, S, or Y.*	1/BIA02/ 020 Report Type Code DD- Distributor Inventory Report	None.

CORRELATION OF MILSTRAP DOCUMENT IDENTIFIER (DI) CODE FUNCTIONALITY TO DLMS SUPPLEMENTS (DS)				
DS #	**DLMS Supplement Title**	**DI Code(s)**	**DS Accredited Standards Committee (ASC) X12 Functional Equivalent to MILSTRAP DI Code**	
			Beginning Segment	**Additional Information needed**
846P	Physical Inventory Request ***When used for Transaction History Request Transaction***	DZJ	1/BIA02/ 020 Report Type Code TF – Transaction History Request	None.
846P	Physical Inventory Request Transaction History Transmittal When rp 30-43 of DZK is 8 or 9-filled to indicate that no history was available for the selected timeframe, submit DS 846P indicating no history was available. BIA02 Code AD applies. Rp 30-43 8-fill indicates when rp 7 of DZJ history request is W and storage activity has no transactions for the stock or part number requested for the dates specified in DZJ rp 25-31, but transactions are available since the date of last location reconciliation. Rp 30-43 9-fill indicates: --When rp 7 of DZJ history request is W and storage activity has no transactions available for the dates specified, or since the date of last reconciliation. --When rp 7 of DZJ is X and the storage activity has no transactions for the dates specified.	DZK	1/BIA02/020 DE 755 Report Type code AD - Agent/Distributor Inventory Report	2/LQ01/270 Code 'FC' Type of Physical Inventory/Transaction History Code 8 or 9
846P	Physical Inventory Request ***When used for End of Day Transaction Count Transaction***	DZM	1/BIA02/020 Report Type code B1 - Batch Report	None.
846R	Location Reconciliation Request ***When used for Location Reconciliation Request Transaction***	DZH	1/BIA02/ 020 Report Type Code LC – Location Inventory Report	None.
846R	Location Reconciliation Request ***When used for Location Reconciliation Notification Transaction***	DZN	1/BIA02/020 Report Type Code X4 – Summary Report	None.

CORRELATION OF MILSTRAP DOCUMENT IDENTIFIER (DI) CODE FUNCTIONALITY TO DLMS SUPPLEMENTS (DS)				
DS #	**DLMS Supplement Title**	**DI Code(s)**	**DS Accredited Standards Committee (ASC) X12 Functional Equivalent to MILSTRAP DI Code**	
			Beginning Segment	**Additional Information needed**
846R	Location Reconciliation Request *When used for Location Reconciliation History Notification Transaction*	DZP	1/BIA02/ 020 Report Type Code ZZ – Mutually Defined *(ASC X12 data maintenance request submitted for new qualifier (T8) for future use.)*	None.

(3) Administrative updates to DS 846P:

Item #	Location	Revision to DS 846P Physical Inventory	Reason	Federal IC Impact
1.	DLMS Introductory Note 5	Added PDC to DLMS Introductory note 5: - ***ADC 307, Administrative Update to DLMS, Volume 2, Chapt 6, Physical Inventory Control and DLMS Supplements (DS) 846P, 846R, and 888I (Supply/MILSTRAP) (Supply/MILSTRAP)***	To identify changes in the DLMS Supplements	No impact.
Revise Beginning Segment BIA02 Report Type Codes as follows (changes are *red, bold, highlighted*):				
2.	1/BIA02/20	Revise DLMS note for code AD: **AD Agent/Distributor Inventory Report** **DLMS Note:** *Use to <mark>identify a Response</mark> to a Transaction History Request <s>when</s> (<mark>N</mark>o <mark>H</mark>istory <mark>A</mark>vailable). From distribution depot/storage activity to owner/manager. (MILSTRAP DI Code DZK functionality when record position 30-43 is 8-filled or 9-filled.) Use with 2/LQ01/270/FC Type of Physical Inventory/Transaction History Code 8 or 9. NOTE: When history is available, there is no direct map of MILSTRAP DI Code DZK to DLMS. Instead, all transactions that were subject to historical submission under DZK, were given a beginning segment action code 'W1" for historical submissions. DLMS transactions containing <mark>A</mark>ction <mark>C</mark>ode W1 for historical submission are: 527R, 867I, 940R, 945A, 947I.)*	Administrative update.	No impact.

Item #	Location	Revision to DS 846P Physical Inventory	Reason	Federal IC Impact
3.	1/BIA02/20	<u>Revise DLMS Note 1 for code B1:</u> **B1 Batch Report** **DLMS Note:** 1. *Use to identify End of Day Transaction Count. Use to provide end of day accountable transaction count information. From distribution depot/storage activity to owner/manager to advise owner/manager of the number of balance affecting transactions that were forwarded during the daily course of business.* *(MILSTRAP DI Code DZM functionality).*	Administrative update.	No impact.
4.	1/BIA02/20	<u>Revise DLMS note for code DD:</u> **DD Distributor Inventory Report** **DLMS Note:** *Use to identify a Response to Physical Inventory Request Transaction (does not include asset balances). From distribution depot/storage activity to owner/manager. (MILSTRAP DI Code DJA functionality when used as a response with Management Code R (no record of stock number or no record of ownership), S (physical inventory in workload bank or in process), or Y (response to follow-up when inventory already complete).*	Administrative update.	No impact.
5.	1/BIA02/20	<u>Revise DLMS note for code TC:</u> **TC Physical Inventory Request** **DLMS Note:** *Use to identify a Physical Inventory Request Transaction. From owner/manager to initiate, follow up on, or cancel a physical inventory. From distribution depot/storage activity to initiate or cancel a physical inventory. (MILSTRAP DI Code DJA functionality)*	Administrative update.	No impact.
6.	1/BIA02/20	<u>Revise DLMS note for code TF:</u> **TF Transaction History Request** **DLMS Note:** *Use to identify a Transaction History Request Transaction. From owner/manager to distribution depot/storage activity.* *(MILSTRAP DI Code DZJ functionality).*	Administrative update.	No impact.

(4) Administrative updates to DS 846R:

Item #	Location	Revision to DS 846R Location Reconciliation	Reason	Federal IC Impact
1.	DLMS Introductory Note 5	Added PDC to DLMS Introductory note 6: - **ADC 307, Administrative Update to DLMS, Volume 2, Chapter 6, Physical Inventory Control and DLMS Supplements (DS) 846P, 846R, and 888I (Supply/ MILSTRAP)**	To identify changes in the DLMS Supplements	No impact.
		Revise Beginning Segment BIA02 Report Type Codes as follows (changes are <mark style="color:red">*red, bold, highlighted*</mark>):		
2.	1/BIA02/20	<u>Revise DLMS note for code LC:</u> **LC Location Inventory Report** **DLMS Note:** *Use to identify <mark>a **L**ocation **R**econciliation</mark> <mark>**R**equest **T**ransaction. **From distribution depot/storage**</mark> <mark>**activity to the owner/manger to reconcile storage activity and**</mark> <mark>**owner/manager records.**</mark> (MILSTRAP DI Code DZH* <mark>***functionality.***</mark>*)*	Administrative update.	No impact.
3.	1/BIA02/20	<u>Revise DLMS note for code X4:</u> **X4 Summary Report** **DLMS Note:** *Use to identify <mark>a</mark> Location Reconciliation Notification <mark>**T**</mark>ransaction. <mark>**Distribution depot/s**</mark>torage activity sends to owner/manager to advise of the number of Location Reconciliation Request transactions being forwarded. (MILSTRAP DI Code DZN* <mark>***functionality.***</mark>*)*	Administrative update.	No impact.
4.	1/BIA02/20	<u>Revise DLMS note for code ZZ:</u> **ZZ Mutually Defined** **DLMS Note:** *Use to identify <mark>a</mark> Location Reconciliation History Notification <mark>**T**</mark>ransaction. <mark>**Distribution depot/s**</mark>torage activity sends to owner/manager to advise of the number of transaction history transactions being forwarded.<mark> </mark> (MILSTRAP DI Code DZP* <mark>***functionality.***</mark>*) An ANSI data maintenance was approved in version 5030. The approved code/name is "LN-Location Reconciliation History Notification".*	Administrative update.	No impact.

(5) Administrative updates to DS 888I:

Item #	Location	Revision to DS 888I Storage Item Correction	Reason	Federal IC Impact
1.	DLMS Introductory Note 5	Added PDC to DLMS Introductory note 6: - *ADC 307, Administrative Update to DLMS, Vol 2, Chapter 6, Physical Inventory Control and DLMS Supplements (DS) 846P, 846R, and 888I (Supply/MILSTRAP)*	To identify changes in the DLMS Supplements	No impact.
2.	1/BGN07/15	Add DLMS note for code A1: **A1 Storage Item Data Change** DLMS Note: *Use to identify a Storage Item Data Correction/Change Transaction. (MILSTRAP DI Code DZB functionality.)*	Administrative update to identify MILSTRAP DI Code functionality in beginning segment consistent with other DS.	No impact.
3.	2/G3902/40	Add DLMS enhancement note to qualifier A2 **A2 DoDIC** **DLMS Note 2**. DLMS enhancement. See introductory DLMS note 4.a.	Administrative update. Use of DoDIC is a DLMS enhancement.	No impact.

5. REASON FOR CHANGE: Administrative update to DLMS Volume 2, Chapter 6 to position the chapter for a future combined MILSTRAP/DLMS manual. Administrative updates to DS 846P, 846R, and 888I to clearly identify beginning segment transaction in the context of the applicable DLMS chapter and corresponding MILSTRAP DI Code functionality.

6. ADVANTAGES and DISADVANTAGES:

   a. ADVANTAGES: Identifies in the DLMS manual, volume 2, chapter 6, the correlation between MILSTRAP DI Codes and associated DLMS transactions. This information is useful in a mixed DLSS/DLMS environment. This ADC positions the physical inventory chapter for publication in the future combined DLMS/MILSTRAP manual. **NOTE:** The MILSTRAP Administrator will write all future proposed changes to the Physical Inventory Control chapter against the ADC 307 chapter version, for configuration control so that changes can be accurately captured for the next DLMS publication, whether it is in a formal change to the current DLMS manual, a reissuance, or the target combined manual.   There are several proposed Physical Inventory changes pending.

   b. DISADVANTAGES: None.

7. IMPACT: Publication revision to DoD 4000.25-M, vol 2, chapter 6; and DS 846P, 846R, and 888I.

Enclosure

C6. CHAPTER 6
PHYSICAL INVENTORY CONTROL

C6.1 GENERAL

C6.1.1. Purpose. This chapter provides procedures, performance objectives, and reporting requirements for maintaining accurate records of the physical inventory, conducting physical inventory counts, and reconciling record variance for material within the supply system of the Department of Defense.

C6.1.2. Transactions. This chapter addresses the procedures to DS to ASC X12 Federal IC 846P, 846R, and 888I functions identified by their beginning segment report or transaction type code, and their DLSS (MILSTRAP) counterparts identified by their document identifier (DI) codes. Both DLMS and DLSS are covered to allow for processing in a mixed DLMS/DLSS environment. Other formats, such as XML, are also available. See the DLMSO website for available DLMS and DLSS formats: http://www.dla.mil/j-6/dlmso/elibrary/TransFormats/140_997.asp.

C6.1.2.1. DS to Federal IC 846P, Physical Inventory Request/Transaction History Request identified by beginning segment report type code (1/BIA02/20).

C6.1.2.1.1. Physical Inventory Request Transaction is DS 846P identified by Report Type Code TC – Physical Inventory Request. The owner/manager uses this transaction to initiate, follow up on, or cancel a physical inventory. The storage activity uses to initiate or cancel a physical inventory. This transaction provides MILSTRAP DI Code DJA functionality, except as noted below for Report Type Code DD.

C6.1.2.1.2. Response to Physical Inventory Request is DS 846P identified by Report Type Code DD –Distributor Inventory Report. This is used by the storage activity to respond to a Physical Inventory Request Transaction from the owner/manager, when response does not include asset balances. Use as a response relates to use with physical inventory transaction Management Code R, S, or Y. This transaction provides MILSTRAP DI Code DJA functionality when DJA is used as a response to indicate no record of stock number or no record of ownership; physical inventory in workload bank or in process; or response to follow-up when inventory already complete (Management Codes R, S, and Y respectively)

C6.1.2.1.3. Transaction History Request Transaction is DS 846P identified by Report Type Code TF – Transaction History Request. Owner/Manager uses to request transaction history from the storage activity. This transaction provides MILSTRAP DI Code DZJ functionality.

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C6.1.2.1.4. Response to Transaction History Request (No History Available) is DS 846P identified by Report Type Code AD – Agent/Distributor Inventory Report. Storage Activities use to respond to Transaction History Request when no history is available. This transaction provides MILSTRAP DI Code DZK functionality when DZK record position 30-43 is 8-filled or 9-filled.)

C6.1.2.1.5. End of Day Transaction Count Transaction is DS 846P identified by Report Type Code B1 – Batch Report. This transaction is sent by storage activity to the owner/manager to advise owner/manager of the number of accountable (balance affecting) transactions that were forwarded during the daily course of business. This transaction provides MILSTRAP DI Code DZM functionality.

C6.1.2.2. DS to Federal IC 846R, Location Reconciliation identified by beginning segment report type code (1/BIA02/20).

C6.1.2.2.1. Location Reconciliation Request Transaction is DS 846R identified by Report Type Code LC –Location Inventory Report. The storage activity sends to the owner/manager to reconcile storage activity and owner/ manger records. This transaction provides MILSTRAP DI Code DZH functionality.

C6.1.2.2.2. Location Reconciliation Notification Transaction is DS to 846R identified by Report Type Code X4 – Summary Report. The storage activity sends to the owner/manager to advise of the number of Location Reconciliation Request transactions being forwarded. This transaction provides MILSTRAP DI Code DZN functionality.

C6.1.2.2.3. Location Reconciliation History Notification Transaction is DS to 846R identified by Report Type Code ZZ –Mutually Defined. [An ASC X12 data maintenance was approved in version 5030 for DS 846R Report Type Code LN-Location Reconciliation History Notification.] The storage activity sends to the owner/manager to advise of the number of transaction history transactions are being forwarded. This transaction provides MILSTRAP DI Code DZP functionality.

C6.1.2.3. DS to Federal IC 888I Storage Item Correction. Storage Item Data Correction/Change Transaction is DS to 888I identified by beginning segment (1/BGN07/15) Transaction Type Code A1 – Storage Item Data Change. The IMM/ICP sends this transaction to a storage activity to change elements of data pertaining to anitem of supply. This transaction provides MILSTRAP DI Code DZB functionality.

C6.1.*3.* Applicability. Basic elements of the physical inventory program prescribed by this chapter apply to the DoD Components, and establish:

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C6.1.**3.**1. Uniform procedures on existing DoD policy, for maintaining accurate records, conducting physical inventories and location surveys/reconciliations, researching inventory discrepancies and causes for adjustments, performance assessment, and for quality control of work processes prescribed by the DoD Physical Inventory Control Program (PICP).

C6.1.**3.**2. Management control of all DoD wholesale supply system material to include:

C6.1.**3.**2.1. Principal items.

C6.1.**3.**2.2. Packaged petroleum, oil, and lubricants.

C6.1.**3.**2.3. Secondary items regardless of whether assets are purchased with stock fund or procurement appropriations.

C6.1.**3.**2.4. Ammunition.

C6.1.**3.**2.5. Forms and publications.

C6.1.**3.**2.6. Subsistence.

C6.1.**3.**3. Management data and performance standards necessary to measure the effectiveness of physical inventory control in the DoD supply system.

C6.1.**4.** Exclusions

C6.1.**4.**1. These procedures are not applicable to bulk petroleum; complete ships, aircraft, ballistic missiles, nuclear weapons, space vehicles; assets located at contractor-owned and/or contractor-operated facilities that are not maintained on the DoD wholesale property accountability records; Industrial Plant Equipment reportable to the Defense Distribution Depot Richmond Virginia (DDRV); National Security Agency (NSA)/Central Security Service assets; and National Defense Stock Pile assets. Loaned material and material in-transit shall be accounted for in accordance with Chapter 13 and the DoD Component procedures.

C6.1.**4.**2. Physical inventory control procedures for bulk petroleum are contained in DoD 4140.25-M.

C6.1.**4.**3. Nuclear weapons for which DoD has custodial responsibility are inventoried in accordance with *CJCSI 3150.04, Nuclear Weapons Stockpile Logistics Management and Nuclear Weapons Report Under the Joint Reporting Structure.*

C6.2. POLICY. DoD policy is contained in DoD 4140.1-R.

C6.2.1. Purpose. The purpose of the DoD physical inventory control process is to:

C6.2.1.1. Ensure material accountability is properly executed within the Department of Defense.

C6.2.1.2*.* Ensure accurate property accountability records for the physical inventory are maintained in support of customer requirements and readiness by performing physical inventories and location surveys/reconciliations;

C6.2.1.3*.* Identify and help resolve problems in supply system work processes affecting property accountability records by performing quality control of the work processes; and

C6.2.1.4. Identify repetitive processing errors and maintain accurate records for supply system transactions generated within the supply system by researching and reconciling property accountability record imbalances and potential discrepancies.

C6.2.2. Philosophy

C6.2.2.1. The dynamic nature of the physical inventory control function and the cost of counting and reconciling records require that the approach be more selective than the "100 percent wall-to-wall total item count" concept. Available inventory resources must be directed towards those potential and actual discrepancies, controlled inventory items, and weapon system critical items for which maximum returns will be derived from resources applied.

C6.2.2.2. A fundamental requirement of inventory integrity is to implement the technical capability that provides for the total item property record that includes a single shared asset balance maintained by the storage activity.

C6.2.3. Material Security. Security of material is the first line of defense for physical inventory control; therefore, the DoD Components shall pay special attention to safeguarding of inventory items. This shall include analysis of loss rates through inventories, Financial Liability Investigation of Property Loss (DD Form 200) reports, and criminal incident reports to establish whether repetitive losses indicate criminal or negligent activity. Physical security procedures for supply system material are contained in DoD 5200.8-R.

C6.2.4. Asset Management. A single total item property record shall be shared to provide material asset information. The total item property record shall, as a minimum, include material that is due-in, in-transit, in organic maintenance facilities, in a contractor's custody, on loan, on-hand in distribution centers, reported on-hand at retail activities, and for reported assets in the custody of users. The record or record set shall identify the quantity, condition, and value of the item asset for each organizational entity having physical custody of these assets.

C6.2.5. Maintaining Property Accountability/Responsibility. The property accountability responsibility for segments of the total item property record may be delegated to, but not shared by, one or more organizational entities. However, asset

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balance information for a particular segment (such as storage activity balance for an item) will be shared; duplicative records shall not be maintained.

        C6.2.5.1. <u>Storage Activity Responsibility</u>. The storage activity maintains the property accountability record for all material in storage and is responsible, as a minimum, for material custody, care, receipt, storage, and issue; safeguarding and re-warehousing materials; physical inventory and research; location survey/reconciliation; quality control checks; supply discrepancy report initiation, research and resolution; investigating and assessing financial liability for loss, damage, and destruction of Government property; and appropriate actions necessary to ensure that the physical on-hand quantity and the total item property record quantity are in agreement.

        C6.2.5.2. <u>Owning DoD Component</u>. The owning DoD Component shall either assume or assign the accountability for material not in the physical custody of a storage activity, including material inducted for organic repair, test assembly/disassembly, conversion, modification, or reclamation; material in a contractors hands (in accordance with provisions of the Federal Acquisition Regulations), material in-transit; material on loan, etc.

        C6.2.5.3. <u>IMM Responsibility</u>. The IMM is responsible for initiating and directing the conduct of physical inventories; discrepancy research and reports; resolving discrepancies, investigating, and assessing liability for loss, damage, and destruction of Government property; and taking appropriate actions necessary to ensure that the on-hand quantity and the total item property record quantity are in agreement for all DoD material that is not in the physical custody of the DoD Components.

    C6.2.6. <u>End of the Day Processing</u>. Use the following end of the day processing procedures pending the establishment of single shared asset balances (see paragraphs C6.2.2 and C6.2.4). End-of-the day-processing shall be accomplished as follows:

        C6.2.6.1. <u>Owner/Manager and Storage Activity Responsibility</u>. Owners/Managers and storage activities shall daily match all active records (i.e., stock numbers that had any transaction affecting record balances) on-hand balances. The storage activity shall send the daily closing on-hand balance to each affected owner/manager using a Location Reconciliation ***Request Transaction for*** End of Day Processing. ***(End of Day Processing is identified in DLMS DS 846R BIA06 Action Code Z; in MILSTRAP by Type of Location Reconciliation Request Code 1 in record position 7)***

        C6.2.6.2. <u>Preparing Location Reconciliation Request and End of Day Accountable Transaction Count</u>. Storage activities shall prepare ***L***ocation ***R***econciliation ***R***equest ***T***ransactions by line-item (stock number + supply condition code ***(SCC)*** = line item), type of pack, and date packed/expiration date for subsistence, for each record ***with*** transaction***s*** affecting the balance (including zero balance), and for no physical inventory adjustment required (DS to Federal IC 947I, Inventory Adjustment ***(Increase (Physical Inventory), with zero quantity, for Quantity or Status Adjustment Reason Code 'AA'***

(MILSTRAP DI Code D8A)). The storage activity shall also send an End of Day Accountable Transaction Count *Transaction* to advise the owner/manager of the number of balance affecting transactions that were forwarded during the daily course of business. This end of day count transaction is compared to the actual number of transactions received by the owner/manager to identify missing transactions and aid in unreconciled balance (URB) research. *Under DLMS, a single DS 846P can be used to provide the end of day transaction counts for the applicable 5 accountable transactions types.* The five accountable transaction types for which the storage activity shall provide the owner/IMM end of day transaction counts are as follows:

C6.2.6.2.1. Receipts (DS 527R with 1/BR02 Transaction Type Code D4*; MILSTRAP DI Code D4_/D6_*)

C6.2.6.2.2. Issues (DS 867I*; MILSTRAP DI Code D7_).*

C6.2.6.2.3. Inventory Adjustment-Increases (DS 947I with 2/W1916 Inventory Transaction Type Code AJ*; MILSTRAP DI Code D8_*).

C6.2.6.2.4. Inventory Adjustment-Decreases (DS 947I with 2/W1916 Inventory Transaction Type Code AD; *MILSTRAP DI Code D9_*).

C6.2.6.2.5. Inventory Adjustment-Dual (DS 947I with 2/W1916 Inventory Transaction Type Code DU*; MILSTRAP DI Code DA_*).

C6.2.6.3. Owners shall match the storage activity *L*ocation *R*econciliation *R*equest *Transactions* to the affected records. Imbalances shall be programmatically researched to assure consideration of in-float documents, delayed transactions, and duplicate transactions. For unresolved mismatched quantities, the owner/IMM shall update the affected record on-hand balance with the storage activity's closing on-hand balance. The mismatched quantity (gains and losses) shall be adjusted with Inventory Adjustment Increase/Decrease (Accounting Error) (DS 947I with Quantity or Status Adjustment Reason Code AB; *MILSTRAP DI Code D8B/D9B*).

C6.2.6.4. Owners/managers shall request assistance from the storage activity to isolate causes of record imbalances to maintain transaction level integrity. The storage activity assistance should focus on data transmission, e.g., lost transactions, etc.

C6.2.7. Reconciling Total Item Property Records with Financial Records. Owning DoD Components shall reconcile total item property records and financial records as prescribed by DoD 7000.14-R to ensure compatibility of the total inventory value reflected by these records and associated reports.

C6.2.8. Item Management/Control. DoD material is managed and controlled by stock number, SCC, and by type of pack and date packed/ expiration date for subsistence. Therefore, physical inventories shall be done and results reported to

owners/managers by stock number and SCC, and by type of pack and date packed/expiration date for subsistence.

C6.2.9. Storage Activity Record Keeping. Storage activities shall keep quantitative balance records for all material on hand regardless of ownership. Storage activities shall keep transaction histories to support the balance records. Maintenance of these records shall give the capability to detect theft or diversion of material and improve the ability to determine the cause of inventory variances for corrective action.

C6.2.10. Inventory Prioritization. The DoD Components shall select and prioritize items for inventory for which they are accountable as follows:

C6.2.10.1. Inventory Sampling. A stratified, hierarchal inventory sample shall be accomplished at least once annually for the purpose of validating the accuracy of the accountable record. Results of the sample will be reported in accordance with the stratification and tolerances cited in table C6.T1.

C6.2.10.2. Items Designated for Complete Inventories. Complete inventories shall be done as follows:

C6.2.10.2.1. Controlled Inventory Items. The following controlled inventory items (identified in DoD 4100.39-M) require ***annual*** complete physical inventory and do not qualify for use of a random statistical sampling approach:

C6.2.10.2.1.1. Top Secret.

C6.2.10.2.1.2. Narcotics, drug abuse items, and alcohol.

C6.2.10.2.1.3. Category I non-nuclear missiles and rockets (semiannually in accordance with DoD 5100.7-M).

C6.2.10.2.1.4. Precious metals.

C6.2.10.2.1.5. Small arms.

C6.2.10.2.1.6*.* Radioactive items.

C6.2.10.2.1.7. Inert nuclear ordnance material.

C6.2.10.2.1.8*.* Other items that may be designated by DoD or the DoD Components.

C6.2.10.2.2. Ammunition or Subsistence. If ammunition or subsistence is subjected to complete inventory, physical inventory and location survey may be conducted concurrently.

C6.2.10.2.3. <u>Random Statistical Sampling for Controlled Inventory Items Not Subject to Annual Complete Physical Inventory.</u> Controlled inventory items not subject to annual complete physical inventory must be subjected to annual random statistical sampling. Acceptable statistical sampling techniques are widely prescribed and may be used so long as every item included in the population has an equal probability of being selected in the sample. The statistical sampling technique must give reasonable assurance (as a minimum) that the property accountability records are accurate with a 95 percent level of confidence, accuracy level of 95 percent, and a maximum margin of error of 2 percent. If the sample inventory results do not satisfy the above criteria, complete physical inventory of the population from which the sample was selected shall be done.

C6.2.10.3. <u>Items Not Designated for Complete Inventories</u>. Inventories for items not designated for complete inventory under subparagraph C6.2.10.2 shall be done as a result of:

C6.2.10.3.1. Total or partial material release denials (spot inventory--see subparagraph C6.3.4.1 and Type Physical Inventory/Transaction History Code E).

C6.2.10.3.2. Location reconciliation variances.

C6.2.10.3.3. Location survey errors.

C6.2.10.3.4. Owner/IMM request (special inventory); or

C6.2.10.3.5. Owners may select items for inventory based on their physical inventory prioritization methodology or model, which considers characteristics identified by each DoD Component based on the DoD Component priorities, readiness drivers; etc. The owner and storage activity shall negotiate projected workload at least once annually (prior to each fiscal year). The owner shall send prioritization methodology/model results to the storage activity annually using ***a Physical Inventory Request Transaction*** with Type Physical Inventory or Transaction History Code I[1]. Items selected for inventory based on owner priority selection systems shall not be given priority over items in subparagraphs C6.2.10.1., C6.2.10.2., C6.2.10.3.1., C6.2.10.3.2., and C6.2.10.3.3.

C6.2.11. <u>Potential Discrepancies</u>. Potential discrepancies between the actual physical count of material and the property accountability record on hand balance shall be researched and resolved in accordance with Table C6.T3., either by:

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[1] The DSS is capable of accepting ~~DS 846P~~ ***Physical Inventory Request Transactions*** with Type Physical Inventory/Transaction History Code I; however, the DoD Components have not implemented this capability. The DoD Component Supply PRC representatives must provide DLMSO with an implementation date, if implementing this capability, per Approved DLMS Change (ADC) 33 (available at http://www.dla.mil/j-6/dlmso/eLibrary/Changes/approved3.asp).

C6.2.11.1. Correctly posting supply transactions (e.g., receipts, issues, adjustments, etc.) discovered during the research process that were previously incorrect or un-posted resulting in the record imbalance; and/or

C6.2.11.2*.* Posting an inventory adjustment to correct the record imbalance

C6.2.12. Accuracy and Performance Goals. The acceptable DoD accuracy and performance goals are as follows:

C6.2.12.1. Material Denial Goal: Not greater than one percent.

C6.2.12.2*.* Receipt Processing Performance Goal: 90 percent stored and posted within receipt time standards (see Chapter 13).

C6.2.12.3. Record Reconciliation Program Goal:

C6.2.12.3.1. Location Survey Accuracy:

C6.2.12.3.1.1. General Supplies: 97 percent.

C6.2.12.3.1.2. Ammunition: 98 percent.

C6.2.12.3.2. Location Reconciliation Accuracy:

C6.2.12.3.2.1. General Supplies: 97 percent.

C6.2.12.3.2.2. Ammunition: 98 percent.

C6.2.12.4. Ammunition Property Accountability Record Accuracy Goal: 95 percent.

C6.2.12.5. General Supplies Record Accuracy Goals[2]

Table C6.T1. GENERAL SUPPLIES RECORD ACCURACY GOALS

STRATIFICATION SUBPOPULATIONS AND ASSOCIATED GOALS AND TOLERANCE LEVELS			
STRATIFICATION SUBPOPULATIONS AND ASSOCIATED GOALS AND TOLERANCE LEVELS			
CATEGORY	SUB-POPULATION	GOAL	TOLERANCE
A	UNIT PRICE $\geq$ $1,000	99%	0%

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[2] Within 30 calendar days after the end of the 4th quarter each fiscal year, the DoD Components must send record accuracy goal information to ADUSD (L&MR/SCI), via electronic mail. Send to: debra.bennett@osd.mil. Data may be obtained throughout the year.

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B	UNITS OF ISSUE WHICH MAY BE NON-DEFINITIVE OR DIFFICULT TO MEASURE[3] OR (ON-HAND BAL > 50 AND EXTENDED VALUE < $50,000) OR NSN ACTIVITY (# transactions affecting balance in one year) > 50	95%	10%
C	DATE OF LAST INVENTORY > 24 MONTHS AND ON-HAND BALANCE < 50	95%	5%
D	ALL OTHER MATERIAL NOT MEETING ABOVE CRITERIA	95%	0%
95% Confidence Level			
±4% Bound applicable to each category.			

C6.3. PHYSICAL INVENTORY PROCEDURES

C6.3.1. Inventory Program Accomplishment. Storage activities shall monitor program accomplishment throughout the fiscal year to ensure the requirements of paragraph C6.2.10 are met.

C6.3.2. Pre-Inventory Planning. The potential for count inaccuracies shall be reduced by conducting pre-inventory planning to include:

C6.3.2.1. Actions to ensure location integrity by correcting such situations as un-binned / loose material; questionable identity of material in location; and single locations containing multiple SCCs or stock numbers, inadequately labeled shelf-life items (date of manufacture/assembly/pack or date of expiration/inspection/test, as appropriate); and/or material lots stored in a single location.

C6.3.2.2. Document cleanup to ensure to the extent possible that receipts, adjustments, transaction reversals, and other transactions are posted to the property accountability record and that in-process receipts are stored in location prior to the established physical inventory cutoff date.

C6.3.3. Scheduled Inventories

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[3]Applicable Units of Issue: AT, AY, BF, BK, CD, CF, CZ, DZ, FY, FT, FV, GP, GR, HD, KT, LB, MR, OZ, OT, PG, PR, SE, SF, SO, SP, SY, TD, TE, TF, TN, TO, TS, MC, MX, YD

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C6.3.3.1. <u>Item Characteristics</u>. Storage activities shall initiate all scheduled inventories based on item characteristics, specifically, the controlled inventory item code and any other category codes designated by the DoD Components that require physical inventory not less than once each fiscal year, with *a Physical Inventory Request Transaction* using Type Physical Inventory/Transaction History Code G.

C6.3.3.2. <u>Selection and Prioritization Model</u>. Storage activities shall initiate all scheduled inventories based on selection and prioritization model criteria with *a Physical Inventory Request Transaction* using Type Physical Inventory/Transaction History Code I.

C6.3.3.3. <u>Random Statistical Sample Inventories</u>

C6.3.3.3.1. Storage activities shall initiate the scheduled random statistical sample inventory to meet the Departments requirements to validate the accuracy of the supply records with *a Physical Inventory Request Transaction* using Type Physical Inventory/Transaction History Code N.

C6.3.3.3.2. Owners may initiate a scheduled random statistical sample inventory of line items owned to determine the overall accuracy of their records with *a Physical Inventory Request Transaction* using Type Physical Inventory/Transaction History Code L.

C6.3.3.3.3. Storage activities may also initiate a scheduled random statistical sample inventory of line items in storage to determine the overall accuracy of their records with *a Physical Inventory Request Transaction* using Type Physical Inventory/Transaction History Code P.

C6.3.4. <u>Unscheduled Inventories</u>

C6.3.4.1. <u>Special Inventory</u>. Owners, accountable offices, and storage activities shall initiate special inventories using *a Physical Inventory Request Transaction*. If an inventory has not been taken within the past 90 calendar days, cite Type Physical Inventory/Transaction History Code C, D, J, or K. If an inventory has been taken within the past 90 calendar days, an effort shall be made to construct a transaction history and from it determine what the item balance should be or what discrepancy may have caused the imbalance. Only when these efforts fail to produce satisfactory results will special inventories be done. In this case, cite Type Physical Inventory/Transaction History Code H in *the Physical Inventory Request Transaction*. The procedure for restricting special inventories may be waived when the IMM has recorded backorders for the item involved.

C6.3.4.2. <u>Spot Inventory</u>.

C6.3.4.2.1. Storage activities shall initiate spot inventories as a result of total or partial material denial on classified and sensitive items regardless of value,

pilferable items when the value of the variance is greater than $100, and for non-controlled items variances greater $5,000. ***Physical Inventory Request Transactions*** shall cite Type Physical Inventory/Transaction History Code E.

C6.3.4.2.2. Storage activities shall accomplish all requests for spot inventories.

C6.3.4.3. <u>On-Hand Balance Mismatch Between Locator and Property Accountability Record</u>. Storage activities may initiate ***un***scheduled inventories as a result of on-hand balance mismatches between the locator and property accountability records with ***a Physical Inventory Request Transaction*** using Type Physical Inventory/Transaction History Code M.

C6.3.5. <u>Canceling Inventories</u>

C6.3.5.1. <u>General</u>. When conditions exist that prevent accurate completion of an inventory that has been established, the inventory shall be canceled by the storage activity or the owner/IMM. Conditions that may require cancellation include, but are not limited to, catalog changes, rewarehousing of material under inventory, insufficient resources, insufficient time to meet established inventory timeframes to notify other affected owners/IMMs, and acts of God.

C6.3.5.2. <u>Owner/Manager Cancellation</u>. When an owner/IMM cancels an inventory, the owner/IMM shall notify all affected storage activities using ***a Physical Inventory Request Transaction*** with Management Code N.

C6.3.5.3. <u>Storage Activity Cancellation</u>. When a storage activity cancels an inventory, or when an owner/IMM requests cancellation of an inventory, the storage activity shall notify the requesting owner/IMM using ***a Physical Inventory Request Transaction*** citing Management Code N. When a canceled inventory is required to meet annual inventory schedule requirements, the storage activity must reschedule it within the current fiscal year. When a spot inventory (Type Physical Inventory/Transaction History Code E) is canceled, it must be rescheduled within 15 calendar days.

C6.3.6. <u>Conducting, Recording, and Reporting the Inventory</u>

C6.3.6.1. <u>General</u>. Physical inventory procedures at storage activities shall provide the required asset-to-record accuracy with positive control of material and documentation that are in-float, including material release orders, receipts, condition transfers, catalog and other data changes, etc.

C6.3.6.2. <u>In-Float Document Control</u>. The storage activity may reduce the volume of in-float accountable documents, during the period required for an item count, by suspending the issue of low priority material release transactions from items undergoing inventory. However, material shall be released for items undergoing inventory when such release is necessary to meet the order/ship timeframes of DoD

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4140.1-R, to include the recognition of the required delivery date. The storage activity may also reduce the volume of in-float accountable documents by deferring routine SCC changes, providing Chapter 7 control requirements are complied with.

C6.3.6.3. Physical Inventory Timeframe. Storage activities shall complete physical inventories and send the appropriate Inventory Adjustment (Physical Inventory) Transactions *(DS 947I with Quantity or Status Adjustment Reason Code 'AA' ; MILSTRAP DI Code D8A/D9A)* to the owner/IMM within 30 calendar days after the physical inventory cutoff date (PICD) for scheduled inventories and within 15 calendar days after the PICD for unscheduled inventories.

C6.3.6.4. *Post Count Validation and Pre-Adjustment Research*. The storage activity shall compare the adjusted count with the balance kept by the storage activity to determine the potential variance and initiate post count validation and pre-adjustment research as required under section C6.4. Immediately upon completion of post count validation and pre-adjustment research, the storage activity shall record the count and date of last inventory on the storage activity quantitative balance record.

C6.3.6.5. *Zero Quantity* Adjustments. When no adjustment is required, the storage activity shall update the storage activity record with the date of last inventory and send an Inventory Adjustment Increase (Physical Inventory) transaction (*DS 947I with Quantity or Status Adjustment Reason Code AA; MILSTRAP DI Code D8A)* with zero quantity for each line item to the owner/IMM to indicate completion of the inventory. The owner/IMM shall update the date of last inventory using inventory adjustment transaction date.

C6.3.6.6. Prorating Adjustment for Commingled Assets. When the storage activity record shows more than one owner for commingled material, the storage activity shall apply all gains and losses to the wholesale IMM. The storage activity shall prorate any losses that cannot be applied to the wholesale manager among all owners having balances. Storage activities shall not consider foreign owner balances in the prorating process. Foreign owner and Special Defense Acquisition Fund balances shall not be altered unless they are the only remaining balances for reporting a loss. Resolution of these losses shall be in accordance with DoD Security Assistance Program policy.

C6.3.6.7. Processing Physical Inventory Adjustments. The storage activity shall process Inventory Adjustment *(Physical Inventory)* transactions (DS 947I *with Quantity or Status Adjustment Reason Code AA; MILSTRAP DI CodeD8A/ D9A*), by line-item, and by each date packed/expiration date and type of pack for subsistence, to update the storage activity quantitative balance record and each owner/IMM record.

C6.3.7. Reconciling Manual Records for Controlled Items. When manual records are kept for control of assets in secured storage, the storage activity, as a minimum, shall reconcile these records at the time of inventory with the corresponding storage activity records and physical counts of material.

C6.3.8.   Unscheduled Physical Inventory Follow-Up

C6.3.8.1.   ***Owner/IMM*** Follow-up on Physical Inventory Request. When the owner/IMM has requested an unscheduled inventory and no adjustment or completion transaction has been received within 40 calendar days of the date of the request, the owner/IMM shall initiate a follow-up using ***a Physical Inventory Request Transaction***, citing Management Code X and duplicate the remaining data from the ***Physical Inventory Request Transaction*** that established the inventory.

C6.3.8.2.   ***Storage Activity Response to*** Follow-Up on Physical Inventory Request. The storage activity shall respond to the owner/IMM follow-up within 5 calendar days by providing the appropriate adjustment, completion, or cancellation transaction. If an adjustment or completion transaction was previously sent and a follow-up is received, the storage activity shall reply sending ***a Response to Physical Inventory Request Transaction*** with Management Code Y to the owner/IMM. The storage activity shall also send DS 947I showing the actual physical inventory adjustment, and identified as submission of historical information by 1/W1506/020, code W1. ***(Storage activities operating under MILSTRAP send MILSTRAP DI Code DZK Transaction History Transmittal for the physical inventory adjustment).***

C6.3.8.3.   No Record of Physical Inventory Request. If the storage activity does not have a record of the owner/IMM original ***Physical Inventory Request Transaction***, the storage activity shall process the ***Physical Inventory Request Transaction*** with Management Code X as an original Physical Inventory Request Transaction.

C6.4.   RESEARCH OF POTENTIAL OR ACTUAL PHYSICAL INVENTORY ADJUSTMENTS

C6.4.1.   Policy. The DoD Components shall ensure potential or actual adjustments are researched in accordance with the value of the adjustment and type of item involved. DoD criteria for this research are in Table C6.T3. and will be used as the basis for selective research for supply system material. A reduction of the volume of erroneous adjustments can only be achieved by conducting specified degrees of research before posting the adjustment transaction. More stringent research requirements may be imposed by the DoD Components based upon the limits of resources available and upon specific asset control problems. However, in no case shall adjustments be processed against items without required pre-adjustment research having been performed (see Table C6.T3.).

C6.4.2.   Objectives. Analysis of inventory adjustments is vital in order to:

C6.4.2.1.   Identify failures in the control systems so improvements can be made.

C6.4.2.2.   Reduce future discrepancies.

C6.4.2.3. Ensure that proper adjustment was made.

C6.4.2.4*.* Evaluate indicators of trends or system problems for corrective action.

C6.4.2.5. Detect negligence, abuse, or theft of material. Known or suspected negligence, abuse, or theft will be researched in accordance with DoD ***7000.14-R*** and TableC6.T3.

C6.4.3. <u>Timeliness of Research</u>. Timely completion of the research of potential adjustments is essential. Delay only increases the complexities of adequate research and reduces the probability of conclusive findings.

C6.4.3.1. <u>Pre-adjustment Research</u>. Storage activity pre-adjustment research must be completed and the physical inventory adjustment/completion action posted to the owner/IMM record within 30 calendar days from PICD for scheduled inventories and 15 calendar days from PICD for unscheduled inventories.

C6.4.3.2. <u>Mandatory Causative Research</u>. The storage activity must complete mandatory causative research within 45 calendar days from date the adjustment transaction was posted. Sample causative research must be completed within 45 calendar days from date the sample causative research listing is created.

C6.4.4. <u>Transaction History</u>. For intra-DoD Component (or inter-DoD Component, based on agreement of the DoD Components involved) reconciliation, the owner/IMM may request transaction history for analyzing inventory discrepancies.

C6.4.4.1. <u>Transaction History Request</u>. The owner/IMM shall request the history using ***a Transaction History Request Transaction*** citing the appropriate Type Physical Inventory/Transaction History Code. Transaction history shall consist of all transactions affecting the balance for the requested timeframe.

C6.4.4.2. <u>Transaction History Data</u>. The storage activity shall send transaction history data by submitting the affected transactions identified as a historical submission with beginning segment Action Code 'W1'. DLMS transactions subject to historical submission are: receipt, issue, material release order, material release advice, and inventory adjustment (DS 527R, DS 867I, DS 940R, DS 945A, and DS 947I, respectively). When no history is available for the selected timeframe, submit a ***R****esponse to* ***T****ransaction* ***H****istory* ***R****equest* ***(No History Available) Transaction*** with Type of Physical Inventory/Transaction History Code 8 or 9. ***(Storage activities still operating under MILSTRAP shall send DI Code DZK Transaction History Transmittal for all transactions affecting the balance for the requested timeframe).***

C6.4.5. <u>Error Classification Coding</u>. Causes of potential/actual inventory adjustment errors are determined by research. Causes shall be classified, analyzed, and evaluated so action may be taken to correct situations causing errors. Error classification

codes shall be entered in Inventory Adjustment *(Physical Inventory) Transactions* (DS 947I *with Quantity or Status Adjustment Reason Code 'AA' ; MILSTRAP DI Code D8A/D9A*)[4]. For analysis and evaluation, error conditions shall be identified to the operation in which they occurred (e.g., receiving, issues, etc.) and classified by type within each operation. For reporting purposes, each operation and each error type have been identified by an alphabetic or numeric code in the error classification code. The error classification system is structured to provide the DoD Components latitude to amplify the DoD defined error classifications; however, the DoD Components shall summarize internally defined error classifications to the appropriate DoD classification for all reports provided to higher authorities, auditors, etc.

C6.4.6. Error Classification Feedback and Correction

C6.4.6.1. Causative History Summary. 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 (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. As a minimum, the summary provided shall include, for each NIIN: SCC, *Inventory Adjustment Transaction* (DS 947I or MILSTRAP DI Code D8_/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.

C6.4.7. Controlled Inventory Item Adjustments. Unresolved physical inventory adjustments for all classified and sensitive items regardless of value, and for pilferable items when the adjustment is in excess of $2,500, as prescribed by DoD 7000.14-R, shall

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[4] The IMM may use error classification codes in *Inventory Adjustment (Accounting Error) Transactions* (*DS 947I with Quantity or Status Adjustment Reason Code 'AB'; MILSTRAP DI Code D8B/D9B*) pending establishment of single shared asset balances (see paragraphs C6.2.2 and C6.2.4).

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be referred to security officials of the storage activity at which the adjustment occurred to determine whether there is culpability or when fraud, waste, or abuse is suspected (see Table C6.T3.).

C6.4.8. Material Release Denials. Chapter 4 prescribes DoD standard document formats, data codes, and criteria for the preparation and processing of material release denial at storage activities and by owners/IMMs.

C6.4.8.1. Upon initiation of a material release denial citing Management Code 1, 2, 3 (applies to subsistence only) or 4 (applies to subsistence and ammunition only), storage activities shall:

C6.4.8.2.1. Reverse the issue, adjust the storage activity record on-hand quantitative balance to zero, and send an inventory adjustment decrease transaction (DS 947I with *Quantity or Status Adjustment Reason Code AA; MILSTRAP DI Code D9A*) for the adjusted quantity to the owner/IMM citing Management Code 1, 2, 3, or 4, and *send the send an inventory adjustment decrease* to any other owners affected by the denial loss, citing denial Management Code Q.

C6.4.8.2.2. Initiate a spot inventory as required under subparagraph C6.3.4.2.

C6.4.8.2. If an inventory can be done without delaying processing of the MRO beyond the prescribed UMMIPS timeframes (see DoD 4140.1-R), it may be conducted before processing the denial transaction.

C6.5. REVERSAL OF INVENTORY ADJUSTMENTS. Reversal of *Inventory Adjustment (Physical Inventory) Transactions* (DS 947I with Quantity or Status Adjustment Reason Code AA; *MILSTRAP DI Code D8A/D9A*) is a required capability that must be implemented with proper controls and supported by proper documentation. Procedures for reversing adjustments shall contain, as a minimum, the following control features:

C6.5.1. Posted/Un-Posted Source Documents. Reversals required to correct inventory records when previously un-posted or incorrectly posted supply transactions (e.g., receipts, issues, etc.), regardless of age, are limited to those transactions that can be properly documented to reference the specific transaction document number(s) that will be processed to offset the reversal.

C6.5.2. Inventory Adjustment Corrections. Reversals required to correct physical inventory adjustments that were based on incorrect/incomplete information are limited to 2 years from date of the original adjustment unless requirements of paragraph C6.5.1 are met. All reversals must be properly documented.

C6.5.3. Limitations. Reversals shall not be processed solely on the basis of a previous offsetting physical inventory adjustment.

C6.5.4. Performance Assessment. Reversals against transactions processed within the adjustment period shall be separated and identified as follows:

C6.5.4.1. Gross adjustment during the current period.

C6.5.4.2. Reversal of prior quarters' adjustment transactions.

C6.5.4.3. Reversals of current quarters' adjustment transactions, and

C6.5.4.4. Total value of net adjustments during the current period (i.e., value of net gains added to value of net losses).

C6.6. RECORD RECONCILIATION PROGRAM. Each DoD Component shall implement a record reconciliation program that shall consist of both a location survey and a location reconciliation.[5] The DoD acceptable accuracy goals are in paragraph C6.2.12.3. The DoD Components may impose more stringent standards internally. The record reconciliation program is subject to the quality control checks shown in section C6.8. Errors shall be subject to validation and research before they are counted as an error. The DoD Components shall collect and analyze all Type III errors (see subparagraphs C6.6.1.2.3. and C6.6.2.2.3.) by element.

C6.6.1. Location Survey. Location survey requires a physical verification, other than actual count, between assets and recorded location data to ensure all assets are properly recorded. When a discrepancy is identified during the location survey program (Type I or Type II error (see subparagraphs C6.6.1.2.1 and C6.6.1.2.2)), the storage activity shall conduct prompt research and determine need for a special inventory ***Physical Inventory Request Transaction*** with Type Physical Inventory/Transaction History Code K). In some instances, location survey and physical inventory may be conducted concurrently for ammunition and subsistence.

C6.6.1.1. Requirements

C6.6.1.1.1. Timing. Location survey shall be done at each storage activity at least once each fiscal year by (1) performing complete location survey of all locations; (2) using a statistical sampling methodology that ensures all locations are included in the population and each has a probability of selection; or (3) a combination of complete and statistical sampling.

C6.6.1.1.2. Rewarehousing. A location survey shall be conducted in both the gaining and losing storage areas following the accomplishment of re-warehousing projects. A location survey conducted as a result of re-warehousing projects satisfies the annual survey requirement for the area surveyed.

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[5] The location reconciliation process will not be required with the establishment of single shared-asset balances (see paragraphs C6.2.2 and C6.2.4).

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C6.6.1.1.3. <u>Comparison of Storage Locations with Locator Records</u>. Proper sequence of operating a location survey requires comparing of assets in storage locations with locator records. This sequence of operation is important to detect assets in unrecorded locations.

C6.6.1.1.4. <u>Lots/Segments</u>. An objective is to identify items to location survey lots or segments. Lots/segments shall be of a manageable size (number of items) to permit location survey in minimum time, to ensure maximum uninterrupted service to customers, and to obtain the greatest degree of accuracy from the location survey.

C6.6.1.1.5. <u>Items within Lot/Segment</u>. Items within a lot/segment, which have been subject to a complete item inventory, shall satisfy the annual survey requirement when the entire lot/segment is located in a clearly designated, conterminous warehouse space. These inventoried lots/segments may be excluded from the complete survey for the fiscal year in which they were counted.

C6.6.1.1.6. <u>Permanent Item Locations</u>. When permanent locations are reserved for items, unoccupied recorded locations shall be identified and/or verified during the location survey.

C6.6.1.2. <u>Accuracy Measurement</u>. To measure the accuracy of the results of the location survey, discrepancies shall be classified in one of the three categories listed below. Only one error per stock number per location is charged when locator delete, locator establish, or locator record correction is required for the same location. When the stock number and actual assets differ, the discrepancy shall be classified as locator establish action only.

C6.6.1.2.1. <u>Locator Record Deleted</u>. The removal or change of a locator record when there is a recorded location but there are no physical assets--unless the location is being held open for new receipts. (Type I location survey error.)

C6.6.1.2.2. <u>Locator Error Established</u>. The recording of locations when assets are physically found in storage and no locator records exist, or when the recorded stock number disagrees with the material in the location. (Type II location survey error.)

C6.6.1.2.3. <u>Locator Record Corrected</u>. Changes to the locator record when physical material characteristics differ from any of the following data elements (Type III location survey error):

C6.6.1.2.3.1. Unit of issue.

C6.6.1.2.3.2. SCC.

C6.6.1.2.3.3. Controlled inventory item code (see DoD 4100.39-M, Volume 10, table 61). Verification of the code shall consist of ensuring assets are stored in areas providing the degree of security commensurate with the assigned code.

C6.6.1.2.3.4. Type of pack code (for subsidence only). (See Chapter 4.)

C6.6.1.2.3.5. Lot number, serial number or unique item identifier (for ammunition only).

C6.6.1.2.3.6. Completeness and accuracy of magazine data card (for ammunition only).

C6.6.1.3. <u>Special Inventory</u>. To ensure accuracy of property accountability records, special inventories should be performed when assets are found in an erroneous or unrecorded location, or when there are mismatches in the unit of issue that may result in a quantity variance.

C6.6.2. <u>Location Reconciliation</u>.[6]

C6.6.2.1. <u>Requirements</u>. Location reconciliation requires a match between storage activity records and owner/IMM records, in order to identify and to correct situations when there is: (1) an owner/IMM record with no corresponding storage activity record, (2) a storage activity record with no corresponding owner/IMM record, (3) common elements of data that do not match, and (4) quantity discrepancies. Mismatches shall be researched and special inventories conducted when required to effect corrective action.

C6.6.2.2. <u>Accuracy Measurement</u>. To measure the accuracy of the results of the location reconciliation program, discrepancies shall be classified in one of the four categories listed below (report only one error per location reconciliation error).

C6.6.2.2.1. Owner/IMM record shows balance for storage activity; no ***L****ocation* ***R****econciliation* ***Request T****ransaction received. (Type I location reconciliation error.)

C6.6.2.2.2. Location Reconciliation ***Request*** Transaction received from storage activity; no corresponding owner/IMM record (Type II location reconciliation error.)

C6.6.2.2.3. Mismatch of any of the following data elements (Type III location reconciliation error):

C6.6.2.2.3.1. Unit of issue

C6.6.2.2.3.2. Ownership/IMM identifier.

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[6] The location reconciliation process will not be required with the establishment of single shared-asset balances (see sections C6.2.2 and C6.2.4).

C6.6.2.2.3.3. Controlled inventory item code (see <u>DoD 4100.39-M</u>, Volume 10, table 61).

C6.6.2.2.3.4. Type of pack code (subsistence only).

C6.6.2.2.3.5. Shelf-life code.

C6.6.2.2.3.6. Date packed/expiration date (subsistence only).

C6.6.2.2.4. Quantity Discrepancy (Type IV Reconciliation Error)

C6.6.2.3. <u>Guidance</u>. The DoD Components shall perform location reconciliation in accordance with the following guidance:

C6.6.2.3.1. ***Annual*** <u>Location Reconciliation</u>. Owners/IMMs and storage activities shall reconcile all records annually. The annual reconciliation shall be done as required by subparagraph C6.6.2.3.3, below.

C6.6.2.3.2. <u>Location Reconciliation Request</u>. Storage activities shall prepare Location Reconciliation Request Transactions by line-item, and by type of pack and date packed/expiration date for subsistence, for each stock number regardless of the balance (including zero balances). For annual location reconciliation request, storage activities shall cite DS 846P 1/BIA/06 Action Code 24 ***or, for MILSTRAP DI Code DZH, Type of Location Reconciliation Request Code 2***. Storage activities shall send the request to the owner/IMM. ***Storage activities preparing MILSTRAP DI Code DZH requests shall assure that consecutive transaction numbers by RI Code are assigned to the location reconciliation requests for control purposes.***

C6.6.2.3.3. ***<u>Location Reconciliation Schedule</u>***. All owner/IMM and storage activity records (active and inactive records, including zero balances) shall be reconciled at least once each fiscal year. Storage activities and Components may negotiate agreements for conducting annual location reconciliation any time during the fiscal year. When no such agreement exists, location reconciliation requests shall be prepared on the second Tuesday of the month indicated in the following schedule:

Table C6.T2. <u>Location Reconciliation Preparation Schedule When No Other Schedule Agreement Exists</u>

SERVICE OR AGENCY	PREPARATION DATE
Army	2nd Tues - January
Navy	2nd Tues - March
Marine Corps	2nd Tues – May
Air Force	2nd Tues – July
Defense Logistics Agency	2nd Tues - September

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C6.6.2.3.4. Control of Location Reconciliation. Storage activities and owners/IMMs shall establish the following provisions for controlling location reconciliation:

C6.6.2.3.4.1. Location Reconciliation Notification. Storage activities shall advise intended recipients (owners/IMMs) of the number of transactions being forwarded, and cut-off date, using Location Reconciliation Notification Transaction.

C6.6.2.3.4.2. Location Reconciliation Transaction History

C6.6.2.3.4.2.1. Location Reconciliation History Notification Transaction. When transaction history is required with Location Reconciliation, the storage activity shall advise intended recipients (owners/IMMs) of number of historical transactions being sent, and the cutoff date, using Location Reconciliation History Notification Transctions.

C6.6.2.3.4.2.2. Transaction History to Support Location Reconciliation. For transaction history associated with annual reconciliation, the owner/manager may cite Type of Physical Inventory/Transaction History Code Y in the Transaction History Request Transaction. Transactions subject to transaction history submission are *receipt (*DS 527R with 1/BR02/20/code D4*; MILSTRAP DI Code D4_/D6*), *issue (*DS 867I*; DI Code D7_)*, *materiel release (*DS 940R, *MILSTRIP DI Code A5_)*, *materiel release advice (*DS 945A*, MILSTRIP DI Code AR_)*, and *inventory adjustments (*DS 947I*; MILSTRAP DI Code D8_/D9_)*. The transaction history code may be included in the transaction history submission. DLA owner/managers shall use code 'Y' for automatic submission of history requests for the Annual (Total) Reconciliation, and code 'W' for automatic submissions of transaction history requests for their weekly process. The storage activity perpetuates the type of physical inventory/transaction history code in the transaction history submissions.

C6.6.2.3.4.3. Owners/IMMs shall use the Location Reconciliation Notification and Location Reconciliation History Notification Transactions to determine receipt of all Location Reconciliation and historical transactions. Where the number of transactions to be sent does not match what was actually received, the owner/IMM may reject the Location Reconciliation Notification and/or Location Reconciliation History Notification transactions using *Reject Advice Transaction (*DS 824R; *MILSTRAP DI Code DZG)*, with Reject Advice Code AY.

C6.6.2.3.5. Processing Location Reconciliation Request. In processing Location Reconciliation Request Transactions, owners/IMMs shall match the requests to the owner/IMMs records. When a mismatch is programmatically unresolved, Inventory Adjustment *(Accounting Error) Transaction* (DS 947I with *Quantity or Status Adjustment Reason Code 'AB'* ; *MILSTRAP DI Code D8B/D9B)*, will be processed to adjust the owner/IMM records. All Type I, II, III, and IV mismatches meeting the criteria for causative research (see table C6.T3.) shall be resolved as follows:

C6.6.2.3.5.1. Research of owner/IMM active and historical records.

C6.6.2.3.5.2. Research of storage activity active/historical record using *Transaction History Request Transaction* with Type Physical Inventory/Transaction History Code X.

C6.6.2.3.5.3. Request physical inventory using *Physical Inventory Request Transaction* with Type Physical Inventory/Transaction History Code J.

C6.6.2.3.5.4. If the above actions fail to resolve the mismatch, the Inventory Adjustment *(Accounting Error) Transaction* (DS 947I with *Quantity or Status Adjustment Reason Code 'AB'* ; *MILSTRAP DI Code D8B/D9B)* shall remain on the owner/IMM records.

C6.6.2.3.6. Exceptions. A physical inventory is not required under the following conditions, except when the mismatch involves classified or sensitive items (regardless of dollar value), or pilferable items (when the extended dollar value of the variance is greater than $100).

C6.6.2.3.6.1. The owner/manager record may be adjusted without special inventory when the extended value of the variance is $5,000 or less and 10 percent or less of the beginning value of the variant owner/manager record for Type IV, errors (see subparagraph C6.6.2.2.4.).

C6.6.2.3.6.2. The owner/manager record may be adjusted without special inventory when the extended value of the variance is $5,000 or less for Type I and Type II errors (see subparagraphs C6.6.2.2.1. and C6.6.2.2.2.).

C6.6.2.3.7. Discrepancies. When a discrepancy is identified during the location reconciliation, send the following transactions, as appropriate, to the submitting activity:

C6.6.2.3.7.1. DS 824R *(MILSTRAP DI Code DZG)* – Reject Advice Transaction, as prescribed in Volume 1, Chapter 6.

C6.6.2.3.7.2. *Storage Item Data Correction/Change Transaction* as prescribed in this chapter. Storage activities shall use the *Storage Item Data Correction/Change T*ransaction to update stock records, item locator records, and bin tags.

C6.7. RETENTION OF ACCOUNTABLE DOCUMENTATION. Audit capability is required for a period of time following the processing of documents and data and completion of the research effort. The following retention criteria will apply:

C6.7.1. Source Documents. Retain original source documents or facsimiles, i.e., microform (microfilm, microfiche), Compact Disk-Read-Only Memory (CD-ROM), etc., for at least 2 years. Where source documents are produced, these include only accountability change documents such as receipts, issues, shipments, transfers, SCC

changes, and inventory and financial adjustments. Keep source documents providing evidence of shipment to FMS recipients for 2 years from date of material shipment.

C6.7.2. Transaction History. Keep registers, records, files, tapes, and data for at least 2 years in a format useful for audit trail purposes. Automated inventory control systems shall be designed to facilitate the printout of transaction histories that indicate the date the last physical inventory was conducted for each item.

C6.7.3. Adjustment Research. Keep backup documentation that directly pertains to individual cases of physical inventory adjustment research efforts for at least 2 years.

C6.7.4. Annual Statistical Inventory. Keep annual statistical sample inventory line-item detail data for at least 2 years.

C6.8. QUALITY CONTROL

C6.8.1. Goals and Objectives. The DoD Components shall establish a quality control program at each owner/IMM and storage activity that encompasses the objectives of DoD Directive 5010.38, and the physical inventory objectives contained in DoD 4140.1-R. Portions of the program can be accomplished during ongoing practices within inventory processes. Quality control results will assist management in identifying those human, procedural, or system errors that adversely affect record accuracy and in achieving better control over physical material warehousing practices. Within the scope of this quality control program, those work processes directly related to the control of physical material shall be monitored for attained quality levels and performance evaluated on improvements, not numerical goals. Accordingly, all quality control programs shall include reviews to assess the accuracy/quality of the following work processes:

C6.8.1.1. Warehousing practices -- to include checks of storage practices, stock rotation, shelf-life management, identification of material in store, mixed stock, location accuracy and rewarehousing projects.

C6.8.1.2. Receiving practices -- to include checks of documentation, material identity, quantity, and SCC; checks for processing timeliness; and verification of daily input data to the location system.

C6.8.1.3. Issuing practices -- to include checks of legibility of issue documents; accuracy of stock selection as to identity, quantity, unit of issue, shelf life, SCC, and type of pack (subsistence only); marking of outgoing shipments; and release to carriers.

C6.8.1.4. Validity of automated date -- to include checks of receipt, issue, and adjustment transaction data entries against input documentation.

C6.8.1.5. Inventory practices -- to include checks of inventory counts, location surveys, location reconciliation corrective actions, causative research, and adjustments at both the owner/IMM and storage activity.

C6.8.1.6. Catalog practices -- to include checks of catalog change processing, accuracy, and timeliness, using the affected recorded locations as the universe.

C6.8.1.7. Locator file updates -- to include checking the accuracy of changes to the locator file (e.g., all additions, deletions, and changes of unit of issue, SCC, shelf life, etc.).

C6.8.1.8. ***Supply Discrepancy Report (SDR)*** processing -- to include checks for processing timeliness and checking the accuracy of the SDR initiation, follow up and reply, investigation research including identification and correction of supply errors, adjustment of accountable and financial records, and preparation of Financial Liability Investigation of Property Loss report (DD Form 200).

C6.8.1.9. Logistics reassignment processing -- checks to determine if the logistic reassignment action were completed; e.g., LIM/GIM records were changed to reflect decapitalization/transfer, LIM directed the storage activity to change the decapitalized/transferred assets to GIM ownership, the storage activity effected and advised the LIM of the change, and the LIM initiated action to resolve any quantity variances.

C6.8.1.10. Suspended asset processing -- to include checks of the timeliness in reclassifying suspended (SCCs J, K, L, Q, and R) material.

C6.8.2. Assignment of Responsibility. Whenever possible, quality control checks of these work processes shall include identification of the individual performing the tasks. This will facilitate the placement of responsibility for appraising and improving quality with each IMM within the chain of command.

C6.8.3. Command Emphasis. Continued command management emphasis and review of performance are essential for the success of the quality control program. Command IMMs must ensure effective organizational interrelationships among the functional element concerned with the PICP such as: comptroller, data systems, transportation, warehousing, maintenance, quality control, and supply management. The quality control program shall include provisions for initiation of corrective action when acceptable quality levels are not met.

C6.9. PICP PERFORMANCE ASSESSMENT. The DoD Components shall collect and maintain performance standards and management data prescribed in paragraphs C6.9.1. and C6.9.2, for all material for which the DoD Component maintains the property accountability record. This includes all DoD wholesale supply system assets of principal and secondary items, including package fuels, less all material exclusions listed in DoD 4140.1-R; Report Control Symbol: DD-P&L(Q) 935 applies when the DoD Component is

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required to report this information to higher authorities. DD Form 2338-1 (Inventory Control Effectiveness Report Ammunition) and DD Form 2338-2 (Inventory Control Effectiveness Report General Supplies) are available for intra-Component use when required by the DoD Component.

C6.9.1. General Supplies Performance Standards and Data. (The information in this section corresponds to information reflected on DD Form 2338-2.)

C6.9.1.1. Performance

C6.9.1.1.1. Material Denials[7]:

C6.9.1.1.1.1. Lines Directed for shipment. The total number of line items directed for shipment (MROs, referral orders, redistribution orders (DS 940R Material Release)).

C6.9.1.1.1.2. Total Material Release Denials. The total material denials (sum of total and partial denials, and warehouse refusals (DS 945A, Material Release Advice). Include denial transactions classified by denial Management Codes 1, 2, 3 (subsistence only), 4, 5, 6, and 7 in the total.

C6.9.1.1.1.3. Material Denial Rate. Compute this figure by dividing total denials by the line items directed for shipment and multiplying by 100. The DoD performance goal for the material release denial rate is not greater than 1 percent.

C6.9.1.1.2. Receipt Processing Performance[8]:

C6.9.1.1.2.1. Receipts Posted and Stored. The total number of line item receipts posted and stored to the total item property record.

C6.9.1.1.2.2. Receipts Posted and Stored on Time. The total number of line-item receipts which where effectively posted and stored within the timeframes. Both storing and posting actions are considered complete when the item is in the storage location or available for issue, and the quantity is posted to the total item property record.

C6.9.1.1.2.3. On-Time Receipt Rate. Compute this figure by dividing the total number of receipts posted and stored on time by the total number of receipts and multiplying by 100. The DoD performance goal for posting and storing receipts on time is 90 percent.

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[7] Performance data maintained by DLA for material stored at DSS locations regardless of ownership. Maintained by Service for material stored at Service depots.

[8] Performance data maintained by DLA for material stored at DSS locations regardless of ownership. Maintained by Service for material stored at Service depots.

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C6.9.1.1.3. Record Reconciliation Program. Shows the results of the location survey (ratio of accurate storage activity locator records to storage activity locations surveyed) and the location reconciliation[9] (ratio of valid storage activity records to IMM records):

C6.9.1.1.3.1. Locations Surveyed[10]. The number of storage activity locations surveyed.

C6.9.1.1.3.2. Survey Errors. The total number of location discrepancies as defined in subparagraph C6.6.1.2. Report only one error per stock number per location.

C6.9.1.1.3.3. Survey Accuracy. Compute this figure by dividing the locations with discrepancies by the total locations surveyed multiplying by 100, and subtracting the result from 100 percent. DoD goal for location survey accuracy is 97 percent.

C6.9.1.1.3.4. Locations Reconciled[11]. The total number of location records reconciled (i.e., the sum of line items on the owner's/IMM's record and line items not on the IMM's record but were on the storage activities' records).

C6.9.1.1.3.5. Reconciliation Errors. The total number of discrepant location records as defined in subparagraph C6.6.2.2. Count one error per location reconciliation request (line item) or unmatched IMM's record.

C6.9.1.1.3.6. Reconciliation Accuracy. Compute this figure by dividing the number of discrepancies by the number of records reconciled, multiplying by 100, and subtracting the result from 100 percent. DoD goal for location reconciliation is 97 percent.

C6.9.1.2. Physical Inventory Adjustments

C6.9.1.2.1. Physical Inventories:

C6.9.1.2.1.1. Number of Scheduled and Unscheduled Inventories Completed. The total number of line items inventoried (scheduled and unscheduled). Each SCC for a stock number at each storage activity is a line item.

C6.9.1.2.1.2. Number of Inventories with Variances. The total number of line items inventoried (scheduled and unscheduled) that had an inventory variance.

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[9] The location reconciliation process will not be required with the establishment of single shared asset balances (see paragraphs C6.2.2 and C6.2.4).
[10] Performance data maintained by DLA for locations surveyed at DSS locations regardless of ownership. Maintained by Service for locations surveyed at Service depots.
[11] Performance data maintained by owner/IMM regardless where material is stored.

C6.9.1.2.1.3. Inventory Variance Rate. Shows the percent of line-items inventoried that had an inventory variance. Compute this figure by dividing the lines with inventory variances by the total line items inventoried and multiply by 100.

C6.9.1.2.1.4. Number of Inventories with Major Variances. The total number of line items inventoried (scheduled and unscheduled) that had a major inventory variance (overages or shortages exceeding $5,000) and all variances on controlled items.

C6.9.1.2.1.5. Major Variance Rate. Shows the percent of line-items inventoried that had major inventory variances. Compute this figure by dividing the lines with a major inventory variance by the total line items inventoried and multiply by 100.

C6.9.1.2.2. Number of Adjustments from other than Physical Inventories[12]

C6.9.1.2.2.1. Number of Location Reconciliation Adjustments. The number of location reconciliation adjustments (DS 947I with *Quantity or Status Adjustment Reason Code 'AB'* ; *MILSTRAP DI Code D8B/D9B)*.

C6.9.1.2.2.2. Number of End of the Day Processing Adjustments. The number of end of the day processing adjustments (DS 947I with *Quantity or Status Adjustment Reason Code 'AB'* ; *MILSTRAP DI Code D8B/D9B)*.

C6.9.1.2.2.3. Total. Absolute total of adjustments from other than physical inventories.

C6.9.1.2.3. Total Adjustments. The sum of number of inventories with variances and the number of adjustments from other than physical inventories.

C6.9.1.2.4. Number of Reversals of Inventory Adjustments

C6.9.1.2.4.1. Number of Gain Reversals. The number of gain reversals of inventory adjustments.

C6.9.1.2.4.2. Number of Loss Reversals. The number of loss reversals of inventory adjustments.

C6.9.1.2.4.3. Total. Absolute total of inventory reversals (gains and losses).

C6.9.1.2.5. Monetary Value

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[12] The end of day process and location reconciliation process will not be required with the establishment of single shared asset balances (see paragraphs C6.2.2 and C6.2.4).

C6.9.1.2.5.1. <u>Average Value of Inventory</u>. The average value of on-hand assets as shown on financial records for the 12 months prior to the report cutoff date (i.e., current quarter plus last three quarters).

C6.9.1.2.5.2. <u>Record Value of Items Inventoried</u>. The extended value prior to actual inventory of line-items inventoried (scheduled and unscheduled) during the reporting period.

C6.9.1.2.5.3. <u>Value of Inventory Adjustments</u>

C6.9.1.2.5.3.1. <u>Physical Inventory Adjustments</u>:

C6.9.1.2.5.3.1.1. <u>Gains</u>. Monetary value of gains resulting from inventory less the monetary value of gain reversals (from current and prior quarters) processed during the report period.

C6.9.1.2.5.3.1.2. <u>Losses</u>. Monetary value of losses resulting from inventory less the monetary value of loss reversals (from current and prior quarters) processed during the report period.

C6.9.1.2.5.3.1.3. <u>Gross Adjustments</u>

C6.9.1.2.5.3.2. <u>Reversals--Current Quarter</u>

C6.9.1.2.5.3.2.1. <u>Gains</u>. The total monetary value of decreases to the record balances as a result of reversing gain adjustments processed during the reporting period. Compute the FY to Date value for reversals of current quarter gains by adding the Quarter Ending value for reversal of current quarter gains to the prior quarter FY to Date value of reversal of current quarter gains.

C6.9.1.2.5.3.2.2. <u>Losses</u>. The total monetary value of increases to the record balances as a result of reversing loss adjustments processed during the reporting period. Compute the FY to Date value for reversal of current quarter losses by adding the Quarter Ending value for reversal of current quarter losses to the prior quarter FY to Date value for reversal of current quarter losses.

C6.9.1.2.5.3.2.3. <u>Total</u>. The absolute total of reversals of current quarter gains and losses.

C6.9.1.2.5.3.3. <u>Reversal--Prior Quarters</u>

C6.9.1.2.5.3.3.1. <u>Gains</u>. The total monetary value of decreases to record balances as a result of reversing gain adjustments reported in prior quarters. Compute the FY to Date value for reversal of prior quarters gains by adding the quarter ending value of reversal of current quarter gains to the prior quarter gains.

C6.9.1.2.5.3.3.2**.** Losses. The total monetary value of increases to record balances as a result of reversing loss adjustments reported in prior quarters. Compute the FY to Date value for reversal of prior quarter losses to the prior quarter FY to Date value for reversal of prior quarter losses.

C6.9.1.2.5.3.3.3. Total. The absolute total of reversals of prior quarter gains and losses.

C6.9.1.2.5.3.4. Total Reversals. The total of reversals of current quarter and prior quarter gains and losses.

C6.9.1.2.5.3.5. Total Record Imbalances. The total of gross adjustments and total reversals.

C6.9.1.2.6. Gross Adjustments as a Percent of

C6.9.1.2.6.1. Average Value of Inventory. Divide the total value of gross adjustments by the average value of inventory and multiply by 100.

C6.9.1.2.6.2. Value of Items Inventoried. Divide the total value of gross adjustments by the record value of items inventoried and multiply by 100.

C6.9.1.2.7. Total Record Imbalances as a Percent of:

C6.9.1.2.7.1. Average Value of Inventory. Divide the value of the total record imbalances by the average value of inventory.

C6.9.1.2.7.2. Value of Items Inventoried. Divide the total value of gross adjustments by the record value of items inventoried and multiply by 100.

C6.9.1.2.8. Monetary Value of Location Reconciliation:

C6.9.1.2.8.1. Value of Line Items Reconciled. The extended value of line-items reconciled during the reporting period.

C6.9.1.2.8.2. Gains. The monetary value of gains resulting from reconciliation during the period.

C6.9.1.2.8.3. Losses. The monetary value of losses resulting from reconciliation during the period.

C6.9.1.2.8.4. Total. The absolute total of location reconciliation gains and losses.

C6.9.1.2.9. Monetary Value of End of the Day Processing

C6.9.1.2.9.1. <u>Gains</u>. Enter the value of gains resulting from end of the day processing.

C6.9.1.2.9.2. <u>Losses</u>. Enter the value of losses resulting from end of the day processing.

C6.9.1.2.9.3. <u>Total</u>. The absolute total of end of the day processing gains and losses.

C6.9.2. <u>Ammunition Performance Standards and Data</u>. (The information in this section corresponds to information shown on DD Form 2338-1.)

C6.9.2.1. <u>Performance</u>

C6.9.2.1.1. <u>Material Denials</u>. Complete as described in subparagraph C6.9.1.1.1. For ammunition, include denial transactions classified by denial Management Codes 1, 2, 5, 6, and 7 in the total. DoD Components shall identify denials separately for high-risk and low-risk items.

C6.9.2.1.2. <u>Receipt Processing Performance</u>. Complete as described in subparagraph C6.9.1.1.2. DoD goal for posting and storing ammunition receipt on-time is 90 percent.

C6.9.2.1.3. <u>Record Reconciliation Program</u>. Complete as described in subparagraph C6.9.1.1.3. DoD goals for location survey and location reconciliation for ammunition are 98 percent[13].

C6.9.2.2. <u>Physical Inventory Adjustments</u>

C6.9.2.2.1. <u>Physical Inventories</u>

C6.9.2.2.1.1. <u>Number of Scheduled and Unscheduled Inventories Completed</u>. The total number of line-items inventoried (scheduled and unscheduled). Each SCC for a stock number at each storage activity is a line item.

C6.9.2.2.1.2. <u>Number of Inventories with Variances</u>. The total number of line items inventoried (scheduled and unscheduled) that had an inventory variance.

C6.9.2.2.1.3. <u>Inventory Record Accuracy</u>. Shows the percent of lines inventoried without an inventory variance. Compute this figure by dividing the lines with an inventory variance by the total lines inventoried and multiply by 100, and subtracting the result from 100 percent. The DoD inventory record accuracy goal for ammunition is 95 percent.

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[13] The location reconciliation process will not be required with the establishment of a single shared asset balances (see paragraphs C6.2.2 and C6.2.4)

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C6.9.2.2.2. <u>Number of Inventory Adjustments from other than Physical Inventories</u>. Complete same as subparagraph C6.9.1.2.2.

C6.9.2.2.3. <u>Total Inventory Adjustments</u>. Complete same as subparagraph C6.9.1.2.3.

C6.9.2.2.4. <u>Number of Reversals of Inventory Adjustments</u>. Complete same as subparagraph C6.9.1.2.4.

C6.9.2.2.5. <u>Monetary Value</u>. Complete same as subparagraph C6.9.1.2.5.

C6.9.2.2.6. <u>Gross Adjustments as a Percent of</u>. Complete same as subparagraph C6.9.1.2.6.

C6.9.2.2.7. <u>Total Record Imbalances as a Percent of</u>. Complete same as subparagraph C6.9.1.2.7.

C6.9.2.2.8. <u>Monetary Value of Location Reconciliation</u>. Complete same as subparagraph C6.9.1.2.8.1.

C6.9.2.2.9. <u>Monetary Value of End of the Day Processing</u>. Complete same as subparagraph C6.9.1.2.8.2.

Table C6.T3. <u>Minimum Research Requirements for Potential or Actual Physical Inventory Adjustments</u>

CONDITION OF DISCREPANCY	REQUIRED RESEARCH		
	Post Count Validation	Pre-adjustment Research	Causative Research
1. $\leq$ $1,000	NO	NO	NO
2. > $1,000 but $\leq$ $5,000 and $\leq$ 10 percent unit variance	YES	NO	NO
3. > $1,000 but $\leq$ $5,000 and > 10 percent unit variance	YES	YES	NO
4. > $5,000 but $\leq$ $16,000 and $\leq$ 25 percent unit variance	YES	YES	SAMPLE
5. > $5,000 but $\leq$ $16,000 and > 25 percent unit variance	YES	YES	YES
6. > $16,000	YES	YES	YES

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CONDITION OF DISCREPANCY	REQUIRED RESEARCH		
	Post Count Validation	Pre-adjustment Research	Causative Research
7. Controlled Inventory Item	YES	YES	YES[14]
8. Suspected Fraud, Waste, or Abuse	YES	YES	YES

C6.10. <u>STORAGE ITEM DATA CORRECTION/CHANGE NOTIFICATION.</u>

C6.10.1. This section provides standard procedures required by ICPs to provide for the correction and/or updating of storage activity records when:

C6.10.1.1. Reported transactions indicate that the ICP and storage activity records are inconsistent.

C6.10.1.2. A catalog/stock list change is processed against an ICP record that will affect stock control data maintained at the storage activities.

C6.10.2. ***<u>ICP Action</u>***. ***ICPs*** use ***the Storage Item Data Correction/Change Transaction*** to provide storage ***activities*** with data record changes on items of supply. The ICP enters the "correction/change code for storage item records" in the transaction to provide information on the nature of the change, actions to be taken, and data affected by the change.

C6.10.3. <u>Storage Activity Action</u>. Storage activities shall use the ***Storage Item Data Correction/Change Transaction*** to update stock records, item locator records, and bin tags.

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[14] Sample causative research in lieu of complete causative research for pilferable, and CIIC 7, item discrepancies with a value from $.01 to $2,500 may be accomplished to serve as a deterrent to fraud, waste, or abuse and to identify systemic inventory and security problems. Causative research will be conducted on all adjustments (gains and losses) of classified and sensitive items regardless of dollar value of item or extended dollar value of adjustment. Causative research will be conducted on all adjustments (gains and losses) of pilferable items, and CIIC 7 items, with an extended value greater than $2,500, and all adjustments with an extended value of greater than $16,000 or greater than 25 percent unit variance and greater than $5,000.

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