



**DEFENSE LOGISTICS AGENCY**  
**HEADQUARTERS**  
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**FORT BELVOIR, VIRGINIA 22060-6221**

August 26, 2016

MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE (PRC) AND DOD  
JOINT PHYSICAL INVENTORY WORKING GROUP (JPIWG) MEMBERS

SUBJECT: Approved Defense Logistics Management Standards (DLMS) Change (ADC) 1205,  
Administrative Update to DLMS Physical Inventory Control Procedures to Support  
DODM 4140.01 Requirement for a Collaborative Single Item Inventory Record  
(Supply/MILSTRAP)

The attached administrative update to DLM 4000.25, Defense Logistics Management Standards, and DLM 4000.25-2, Military Standard Transaction Reporting and Accountability Procedures (MILSTRAP), is approved for implementation effective immediately.

Addressees may direct questions to Mr. Rafael Gonzalez, e-mail:  
[Rafael.Gonzalez@dla.mil](mailto:Rafael.Gonzalez@dla.mil). Others may direct questions to their Service or Agency designated  
DOD Joint Physical Inventory Coordinating Group representative available at  
<https://www.dlms.dla.mil/CertAccess/SvcPointsPOC/allpoc.asp>.

Heidi M. Daverede  
Director  
Defense Logistics Management  
Standards Office

Attachment  
As stated

cc:  
ODASD (SCI)

**ATTACHMENT TO ADC 1205**  
**Administrative Update to DLMS Physical Inventory Control Procedures to**  
**Support DODM 4140.01 Requirement for a Collaborative Single Item**  
**Inventory Record (Supply/MILSTRAP)**

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

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

b. **Functional POC:** Mr. Rafael Gonzalez, DLMSO, e-mail: [Rafael.Gonzalez@dla.mil](mailto:Rafael.Gonzalez@dla.mil), (717) 770-6817; DSN 771-6817

**2. FUNCTIONAL AREA:** Inventory, MILSTRAP, Physical Inventory Single Shared Asset Balance

**3. REFERENCES:**

a. [Defense Logistics Manual \(DLM\) 4000.25-2](#), Military Standard Transaction Reporting and Accountability Procedures (MILSTRAP)

b. [DLM 4000.25](#), Defense Logistics Management Standards, Volume 2, Supply Standards and Procedures

c. [DoD Manual \(DODM\) 4140.01](#), Volume 5, DoD Supply Chain Materiel Management Procedures: Delivery of Materiel, February 10, 2014

d. [Withdrawal of ADC 21](#), Storage Activity On-hand Asset Balance Data Sharing, February 5, 2016

e. [DoD Instruction 5015.02](#), DOD Records Management Program, February 24, 2015

f. [DoD 5015.02-STD](#), "Electronic Records Management Software Applications Design Criteria Standard," April 25, 2007

g. [DoD Instruction 5010.40](#), "Managers' Internal Control Program Procedures," May 30, 2013

**4. Brief Overview of Change:** Revise the MILSTRAP and DLMS (References 3.a. and 3.b. respectively) Physical Inventory Control procedures for single item-inventory record data sharing to support the DODM 4140.01 change requiring that inventory control points (ICPs) and storage activities "collaborate and ensure that the inventory data in their respective systems is the same, thus becoming, in effect, a single item inventory record."

**5. Background:** The February 2014 issuance of DODM 4140.01, Volume 5 (Reference 3.c.), states "A single item inventory record will be created to provide materiel asset information. Inventory control points (ICPs) and storage activities will collaborate to ensure that the inventory data in their respective systems is the same, thus becoming, in effect, a single item inventory

record.” The previous requirement in the cancelled DOD 4140.1-R (May 2003), was for a single shared record. The updated DODM 4140.01 narrative requires collaboration between materiel owners and storage activities to ensure inventory data in their respective systems, is the same, thus becoming a single item inventory record.

a. DLMSO published ADC 21 Storage Activity On-hand Asset Balance Data Sharing in June 2000, based upon a requirement for a shared single item inventory record as defined in DOD 4140.1-R, May 2003 (superseded by DODM 4140.01, February 10, 2014). DLMSO withdrew ADC 21 (Reference 3.d.) based on changes in DoDM 4140.01 that no longer required a single shared inventory record, and the reality that the DoD Components did not implement ADC 21.

b. The published DLMS and MILSTRAP procedures currently reflect guidance from cancelled DOD 4140.1-R, May 2003, which directed that “*A single item-inventory record shall be shared to provide materiel asset information. Duplicative records maintained by ICPs and storage activities shall be consolidated into one inventory record.*” DODM 4140.01 replaced DOD 4140.1-R, and revised the requirement as noted in paragraph 4.

**6. Requested Change in Detail:** Revise the procedures in DLM 4000.25-2 and DLM 4000.25 to clarify current requirements for a collaborative single item inventory record as part of the Inventory Control procedures. DODM 4140.01 Vol. 5 states “Inventory control points (ICPs) and storage activities will collaborate to ensure that the inventory data in their respective systems is the same, thus becoming, in effect, a single item inventory record.”

**7. Revisions to DLM 4000.25 Manuals:**

a. Revise DLM 4000.25-2, MILSTRAP, Chapter 7, Physical Inventory Control, Philosophy and Guiding Policy and Asset Management, as shown in the enclosure.

b. Revise DLM 4000.25, DLMS Volume 2 Chapter 6, Physical Inventory Control, Philosophy and Guiding Policy and Asset Management, as shown in the enclosure.

**8. Alternatives:** None.

**9. REASON FOR CHANGE:** Clarify the existing physical inventory control procedures under MILSTRAP and DLMS to identify the requirements for a single shared inventory record between the storage activity and the materiel owner records required under DODM 4140.01, Volume 5.

**10. ADVANTAGES AND DISADVANTAGES:**

a. **Advantages:** Clarifies the definition and requirement for a single item inventory record under the physical inventory control procedures

b. **Disadvantages:** There are no known disadvantages.

**11. ASSUMPTIONS USED OR WILL BE USED IN THE CHANGE OR NEW DEVELOPMENT:** This ADC was developed under the assumption that the next release of

DODM 4140.01 Volume 11 has updated language regarding the establishment of a single item inventory record. The Office of the Deputy Secretary of Defense for Supply Chain Integration will develop an administrative change to remove the legacy language from Volume 5 once DODM 4140.01 Volume 11 is published and authorized for release.

**12. ESTIMATED TIME LINE/IMPLEMENTATION TARGET:** Effective immediately upon release of ADC to support DODM 4140.01 requirement.

**13. IMPACT:**

- a. **New/Change DLMS Data Elements:** There are no new DLMS data elements.
- b. **Automated Information Systems (AIS):** There is no known systemic impact as a result of this change in procedures. However, Components will need to evaluate their systems to identify any potential impact and ensure compliance.
- c. **Transaction Services:** There are no changes to current transaction flows and mappings through DAAS.
- d. **Non-DLM 4000.25 Series Publications:** None identified. Components must update their Component-level publications if required.

## ENCLOSURE TO ADC 1205

- A. **Revise DLM 4000.25, Volume 2, Chapter 6, Physical Inventory Control as shown below. Changes are identified by red, bold italics or double strikethrough.**

*Preceding text not shown.....*

### C6.2.2. Philosophy and Guiding Policy

C6.2.2.1. Inventory systems will support perpetual inventories where current item record balances are maintained by posting all balance affecting events such as the recording receipts, shipments, inventory adjustments and changes to condition, ownership, or location as they occur. If a system can't currently support perpetual balances, efforts will be made to bring the system into compliance.

C6.2.2.2. 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 will be directed toward potential and actual discrepancies, controlled inventory items, and weapon system critical items for which maximum returns are derived from applied resources.

C6.2.2.3. A fundamental requirement of inventory integrity is to ***ensure that the inventory data on inventory control points (ICPs) and storage activities systems is the same, thus becoming, in effect, a single item inventory record.*** ~~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.~~

*Intervening text not shown...*

C6.2.4. Asset Management. ~~A single total item property record will be shared to provide materiel asset information.~~ ***Inventory control points (ICPs) and storage activities will collaborate to ensure that inventory data in their respective systems is the same, thus becoming, in effect, a single item inventory record.*** At minimum, the total item property record will include materiel 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 will identify the quantity, condition, and value of the item assets for each organizational entity having physical custody of these assets.

*Intervening text not shown...*

C6.2.6. End of the Day Processing. 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. above).~~ End of the day processing will be performed as follows:

*Intervening text not shown*

### C6.12. STORAGE ITEM DATA CORRECTION/CHANGE NOTIFICATION

C6.12.1. This section provides standard procedures required by ~~Inventory Control Points (ICPs)~~ to provide for the correction and/or updating of storage activity records when:

**B. Revise DLM 4000.25-2, MILSTRAP, Chapter 7, Physical Inventory Control as shown below. Changes are identified by red, bold italics or double strikethrough.**

C7.2.2. Philosophy and Guiding Policy.

C7.2.2.1. Inventory systems will support perpetual inventories where current item record balances are maintained by posting all balance affecting events such as the recording receipts, shipments, inventory adjustments and changes to condition, ownership, or location as they occur. If a system can't currently support perpetual balances, efforts will be made to bring the system into compliance.

C7.2.2.2. 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 will be directed toward potential and actual discrepancies, controlled inventory items, and weapon system critical items for which maximum returns are derived from applied resources.

C7.2.2.3. A fundamental requirement of inventory integrity is to ***ensure that the inventory data on inventory control points (ICPs) and storage activities systems is the same, thus becoming, in effect, a single item inventory record.*** ~~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.~~

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*Intervening text not shown...*

C7.2.6. End of the Day Processing. Use the following end of the day processing procedures ~~pending the establishment of single shared asset balances (see paragraphs C7.2.2. and C7.2.4. above).~~ End of the day processing will be performed as follows: