



**DEFENSE LOGISTICS AGENCY
HEADQUARTERS
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February 6, 2017

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

**SUBJECT: Approved Defense Logistics Management Standards (DLMS) Change (ADC) 1216,
Evidence Retention Responsibilities under DOD's Physical Inventory Control
Program (Inventory)**

The attached approved change to DLM 4000.25, Defense Logistics Management Standards, and DLM 4000.25-2, Military Standard Transaction Reporting and Accountability Procedures (MILSTRAP) is available for immediate implementation.

Addressees may direct questions to Mr. Rafael Gonzalez, email: Rafael.Gonzalez@dla.mil; or Ms. Mary Jane Johnson, email: Mary.Jane.Johnson@dla.mil. Others may direct questions to their respective Service or Agency designated Supply PRC or JPIWG representative available at <http://www.dlmso.dla.mil/eLibrary/ServicePoints/allpoc.asp>.

**HEIDI M. DAVEREDE
Program Manager
Enterprise Business Process
Standards Office**

Attachment
As stated

cc:
ODASD (SCI)

Attachment to ADC 1216

Evidence Retention Responsibilities under DOD's Physical Inventory Control Program

1. SERVICE/AGENCY AND POC INFORMATION:

a. Requesting Activity: Office of the Deputy Assistant Secretary of Defense Supply Chain Integration (ODASD(SCI))

b. Functional POC: Mr. Rafael Gonzalez, DOD Joint Physical Inventory Working Group (JPIWG) Chair, DLMS Program Office, email: Rafael.Gonzalez@dla.mil, (717) 770-6817; DSN 771-6817

2. FUNCTIONAL AREA: Inventory

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.

4. APPROVED CHANGE(S):

a. Brief Overview of Change:

(1) Revise the instructions for retaining accountable documentation under the physical inventory control procedures to clarify that the existing responsibilities apply to both the materiel owners and storage activities, as applicable.

(2) Provide clarification regarding retention of research documentation applicable to accounting error inventory adjustments associated with the location reconciliation process.

b. Background: During a Financial Improvement and Audit Readiness (FIAR) review, the Air Force identified the need for further clarification of responsibilities for evidential matter as part of the location reconciliation process. DLM 4000.25-2, MILSTRAP (Reference 3.a.), and DLM 4000.25, DLMS, Volume 2 (Reference 3.b.), provide instructions for retention of accountable documentation in support of audit requirements. Current instructions apply to both the materiel owners and storage activities, as applicable. However, while this applicability is implicit, it was not explicit in the text. The Air Force recommended a revision to MILSTRAP to address this concern, and clearly state that the responsibility for evidence retention applies to both the storage activities and the materiel owner.

c. Approved Change in Detail: Revise current procedures to clarify that the MILSTRAP/DLMS physical inventory control responsibilities for document retention apply to both the materiel owner and the storage activity, as applicable. It is the responsibility of both the storage activity and materiel owner to retain evidential matter to support inventory adjustments/corrections due to a discrepancy on inventory records between the storage activity and the owner.

d. Revisions to DLM 4000.25 Manuals:

(1) Revise DLM 4000.25-2, MILSTRAP, Chapter 7, Physical Inventory Control, paragraph C7.9., Retention of Accountable Documentation, as shown in the enclosure.

(2) Revise DLM 4000.25, DLMS Volume 2, Chapter 6, Physical Inventory Control, paragraph C6.9., Retention of Accountable Documentation, as shown in the enclosure.

5. REASON FOR CHANGE: Current physical inventory control procedures under MILSTRAP and DLMS would benefit from clarifying the responsibilities for evidential matter when the materiel owner or the storage activity identifies a discrepancy between the storage activity and the materiel owner records. Furthermore, MILSTRAP retention of accountable documentation for inventory adjustments does not specify applicability to accounting error inventory adjustments (legacy DIC D8B/D9B); it only addresses physical inventory adjustments (legacy DIC D8A/D9A).

6. ADVANTAGES AND DISADVANTAGES:

a. Advantages: Updates to MILSTRAP and DLMS publications will clarify the responsibilities for accountable document retention under the physical inventory control procedures.

b. Disadvantages: There are no known disadvantages.

7. ESTIMATED TIME LINE/IMPLEMENTATION TARGET: Effective immediately upon release of ADC. This revision clarifies the existing intent of the physical inventory control procedures for document retention to support audit requirements.

8. ESTIMATED SAVINGS/COST AVOIDANCE ASSOCIATED WITH IMPLEMENTATION OF THIS CHANGE: There are no direct cost savings identified.

9. IMPACT:

a. New DLMS Data Elements: There are no new DLMS data elements.

b. Changes to DLMS Data Elements: There are no changes to existing DLMS data elements.

c. Automated Information Systems (AIS): Components will need to evaluate their systems to identify any potential impact and ensure compliance. DLM 4000.25 and DLM 4000.25-2 will clearly define the responsibility of evidence retention for storage activities and materiel owners, as applicable.

d. Defense Automatic Addressing System (DAAS): There are no changes to current transaction flows or mappings through DAAS.

e. Non-DLM 4000.25 Series Publications: DOD Components must review and update as appropriate any internal guidance to comply with procedures delineated in this DLMS change.

ENCLOSURE to ADC 1216

A. Revise DLM 4000.25-2, MILSTRAP, Chapter 7 as shown (changes are identified by **bold, red italics** or double strikethrough)

C7.9. RETENTION OF ACCOUNTABLE DOCUMENTATION. ***DOD requires that all Components meet audit requirements*** ~~Audit capability is required for a period of time~~ following the processing of documents and data and completion of ~~the~~ research efforts. ***Owners and storage activities will maintain records and supporting documentation in accordance with DoDI 5015.02 and DoD 7000.14-R, Financial Management Regulation, Volume 1 Chapter 9.*** The following ~~retention criteria will~~ ***business rules*** apply ***to storage activities and owners when retaining records for audit purposes:***

C7.9.1. Source Documents. Retain original source documents or facsimiles ***in a readily accessible format.*** ~~(e.g., microform (microfilm, microfiche), Compact Disk Read Only Memory (CD-ROM)) for at least two years. Where s~~Source documents are produced, these include only accountability change documents such as receipts, issues, shipments, transfers, SCC changes, and inventory and financial adjustments. Retain source documents providing evidence of shipment to FMS recipients, ***in accordance with DoDI 5015.02*** ~~for two years (see DoD 5105.38-M, Security Assistance Management Manual) from the~~ date of materiel shipment.

C7.9.2. Transaction Histories. Retain registers, records, files, tapes, and data ~~for at least two years~~ in a format useful for audit trail purposes. Automated inventory control systems ~~will be designed to facilitate the printout~~ output of transaction histories that indicate the date the last physical inventory was conducted for each item.

C7.9.3. Adjustment Research. Retain backup documentation that directly pertains to individual cases of ~~physical~~ inventory adjustment research efforts ***in a readily accessible format*** ~~for at least two years~~ ***(to include physical inventory and accounting error adjustments).***

C7.9.4. Annual Statistical Sample. Retain the annual statistical sample inventory line item detail data ***in a readily accessible format*** ~~for at least two years.~~

B. Revise DLMS, Volume 2, Chapter 6 as shown (changes are identified by *bold, red italics* or double strikethrough)

C6.9. RETENTION OF ACCOUNTABLE DOCUMENTATION. *DoD requires that all Components meet audit requirements* ~~Audit capability is required for a period of time following the processing of documents and data and completion of the research efforts.~~ *Owners and storage activities will maintain records and supporting documentation in accordance with DoDI 5015.02 and DoD 7000.14-R, Financial Management Regulation, Volume 1 Chapter 9.* The following ~~retention criteria will~~ *business rules* apply *to storage activities and owners when retaining records for audit purposes:*

C6.9.1. Source Documents. Retain original source documents or facsimiles *in a readily accessible format* ~~(e.g., microform (microfilm, microfiche), Compact Disk Read Only Memory (CD-ROM)) for at least two years.~~ ~~Where s~~ *Source documents are produced, these include only* accountability change documents such as receipts, issues, shipments, transfers, SCC changes, and inventory and financial adjustments. Retain source documents providing evidence of shipment to FMS recipients *in accordance with DoDI 5015.02* ~~for two years (see DoD 5105.38-M, Security Assistance Management Manual)~~ ~~from the~~ *date of materiel shipment.*

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C6.9.4. Annual Statistical Sample. Retain the annual statistical sample inventory line item detail data *in a readily accessible format* ~~for at least two years.~~