



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

IN REPLY
REFER TO

J627

April 04, 2012

MEMORANDUM FOR JOINT PHYSICAL INVENTORY WORKING GROUP

SUBJECT: Joint Physical Inventory Working Group (JPIWG) Meeting, March 14, 2012

The attached minutes of subject meeting are forwarded for information and action, as appropriate. Action items are included on the JPIWG Action Item Tracking Sheet provided on the JPIWG home page.

The DLA Logistics Management Standards office point of contact is Mr. Lou Madrigal, JPIWG Chair, 703-767-2011, DSN 427-2011 or email luis.madrigal@dla.mil.

DONALD C. PIPP
Director,
Defense Logistics Management Standards

Attachment
As stated

cc:
ODASD(SCI)
Meeting Attendees



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MEMORANDUM FOR JOINT PHYSICAL INVENTORY WORKING GROUP

SUBJECT: Joint Physical Inventory Working Group (JPIWG) Meeting, March 14, 2012

Purpose: The DLA Logistics Management Standards office convened a meeting of the JPIWG on March 14, 2012, at HQ DLA. A list of attendees and materials presented are available on the JPIWG webpage at <http://www.dla.mil/j-6/dlms/Programs/Committees/JPIWG/JPIWG.asp>.

Brief Summary of Discussion: All agenda topics summarized below. Mr. Lou Madrigal, JPIWG Chair, facilitated the discussion.

Agenda Item 1: Address Open Action Items. Mr. Madrigal stepped through the open action items from previous JPIWG meetings. The status of each was recorded in the Action Item Tracking Spreadsheet available on the JPIWG website. Open actions items need to be closed within thirty days of this meeting.

Nov 2009 (#1): Army ability to process ammunition reversals: Stacy Holden, HQ, AMC indicated that LMP can process D8_/D9_ transactions. However; the Navy noted that Army has difficulty reversing the original Document number and uses a different number on the reversal. This problem has been known to LMP since implementation. Gary Dietch, JMC will send Stacy an update on the status of the existing open LMP trouble ticket, providing a priority ranking of the ticket and its funding status and schedule. Gary Dietch will include Lou Madrigal on the updates he provides to Stacy. **Status:** Army update will be provided by April 14, 2012.

March 2011 (#3): Component capability to capture ICE data.

- a. Army trying to work on ICE report methodology, Stacy Holden, HQ, AMC will provide an update for the Army by April 14, 2012.
- b. Navy is not currently able to capture ICE data in the legacy systems. The Navy transition from legacy systems to NAVERP is scheduled for July 2012. Assuming NAVERP stays on that schedule, Navy should be able to capture ICE statistics for all Navy inventories in July 2012.
- c. USMC – will reply to JPIWG Chair by April 14, 2012.
- d. Air Force – Waiting to incorporate in ECSS currently in a hold status. AF doesn't expect to have the capability to produce ICE data using ECSS until 2015.

Status: Army and Marine Corps will update status by April 14, 2012.

March 2011 (#12): DSS loses visibility of Army Owned Material when it moves into maintenance. Materiel leaving DSS should be issued and picked up on the maintenance activity

inventory record. When material stays on the DSS books and is later issued directly from maintenance to a customer or disposed of by maintenance, DSS loses visibility. Gary Ziegler stated that this is a particular problem that continues today at Tobyhanna.

Status: Army response with current status by April 14, 2012.

September 2011 (#3): Compliance with AMCL8A requirement to perform daily reconciliation.

- a. Army – Appears not in compliance. The Army has a trouble ticket in for LMP and the LMP program manager will determine estimated date of compliance. Status update due by April 14, 2012.
- b. Navy – Doing Daily Reconciliation; however they are using DZAs rather than DZHs.
- c. Air Force – Has not been able to get an answer today will respond by April 14, 2012.
- d. USMC – Reconfirmed they are in compliance.

Status: Army and Air Force will update status by April 14, 2012.

Agenda Item 2: Reporting Progress By Establishing Interim Steps Towards Audit

Readiness Outcomes. Lynn Fulling ODASD (SCI) provided an advance look at a draft spreadsheet that is being proposed to track progress of the Components toward meeting audit readiness outcomes. The spreadsheet is intended to support the Financial Improvement and Audit Readiness (FIAR) initiative by serving as a tool to remove the Component risks prior to their making audit readiness “Existence” and “Completeness” assertions. The Air Force has identified Mr. Colquitt Lawrence (AF/A4LM) as their representative. SCI is requesting points of contact from each of other the Components. The ODASD(SCI) will schedule a meeting in the April/May 2012 timeframe to discuss the spreadsheet in detail.

Agenda Item 3: FIAR Service Provider Support. John Crowley, OSD FIAR Office, provided the JPWIG an information briefing of the concepts of “Existence” and “Completeness” in the context of Audit Readiness, and the FIAR initiative. The briefing covered the roles, responsibilities and steps necessary to assert audit readiness. He stated that the SECDEF has directed that the actions necessary to attain audit readiness for the Statement of Budgetary Resources be accelerated so the DOD has the ability to conduct a full-budget audit by the close of 2014. The spreadsheet discussed in agenda item 2 above was a request from Mr. Peters DASD/SCI, to have a tool to track progress to audit readiness. The unqualified Service Auditor’s Report (SSAE 16) was discussed at length as a mechanism to save resources. As a storage provider to each Component, DLA expressed particular interest as it would enable an unqualified opinion to be rendered once rather than engaging separately with each Component it services. Mr. Crowley took an action to set up a meeting with DLA to plot a course that should be followed by DLA to obtain an SSAE 16.

Agenda Item 4: IUID Update. Joel Yurcaba supporting DASD/SCI provided the JPIWG members with an update briefing of the Item Unique Identification program. He stated that the leadership of the effort has migrated from DPAP to SCI. He also stated that moving forward there will be a monthly meeting of the IUID workgroup for integration on the last Tuesday of each month. He stated that the replacement for DoD 4140.1-R, Supply Chain Management will be staffed with the Components in the near future as an eleven volume manual, DOD 4140.01-M. No specific date for the staffing was provided, but the final publication date is targeted for 2013. The IUID POAM highlights were discussed. The near term POAM actions are:

(1) Consolidating IUID memos and policy into one consolidated policy document DODI 8320.04. It was noted that 2015 may no longer be a reasonable date for IUID implementation within the supply chain. The new policy may not address a dollar threshold.

(2) Working with the Federal Logistics Information Service to finalize the new FLIS code that will identify what items require management by UII. Mr. Yurcaba said there would be an SCI and DLIS meeting on the new FLIS Code discussion next week with FLIS. Mary Jane Johnson wanted all to understand this was a change from the previous FLIS code identification which identified distinct levels of management intensity. Mr. Yurcaba is looking at an approach that does not use an interim designation – everything would be just one level. The concern is that the approach of a single level of intensive management will result in significant operational costs passed on by DLA to the Components. Ellen Hilert asked that the serial number be allowed for use when the UII is not available or use both when the UII is available. She stated that the DLMS transactions were developed to include both if needed. Ellen Hilert also noted that reparable items meant Depot Level Reparables only. It was also noted that while all GFP has to be recorded in the registry their registration does not in of itself indicate a requirement to track them by UII. Joel Yurcaba stated that this would be covered in the policy consolidation discussed previously. Dale Yeakel, J627 noted that the existing items in the registry need to be scrubbed when the requirements are defined making a determination as to what to do with items that previously required registration but under the new IUID policy do not. Joel Yurcaba agreed that that registry needs to be cleansed at some point and that the working group will address, as well as how to deal with items previously registered where disposal has been accomplished but not recorded as a fact in the registry.

(3) Updating the Integrated Requirements Document. This document, when revised, will serve as the basis for the development and staffing of proposed DLMS changes. Mr. Yurcaba noted that while there had been a plan to have a meeting on materiel disposal, SCI now intends to develop requirements and socialize with components. POAM indicates that staffing of proposed DLMS changes will begin in 2013.

Agenda Item 5: AMCL-8A Update. AMCL-8A - Addressed as part of Agenda Item 1 action items. No separate discussion.

Agenda Item 6: CFO Sampling Plans. Gary Ziegler, J3312 briefed the single CFO sampling plan for all Services and DLA owned material that was conducted during September 2011 (see agenda item link). The plan was executed in response to the DASD(SCI) memorandum of August 10, 2011. The sample inventory was based on a random stratified sampling design developed to meet CFO/Service requirements to allow owners to provide the dollar value of their on-hand inventory of materiel stored within DSS on their respective end of year financial statements. The dollar stratification used to identify the 2011 sample will probably be modified for the 2012 CFOA sample. The 2011 sample was the first time the plan involved all the Services, while the previous sample only addressed AF owned materiel in DSS. A question was asked regarding materiel in the hand of the DLA Disposition Services. Lynn Fulling stated that the 2011 sample did not include those inventories. Mark Knowles Navy, LSC -AMMO noted that there has been a robust sampling plan in place for 6 years in the ammunition community and asked what the impact is on ammunition. DLA stated that there would not be any impact on

ammunition sampling since the 2011 and the upcoming 2012 plan only pertains to inventory held by DLA. Some of the lesson learned from the 2011 sample are as follows:

- The short advance period of time made it difficult to ensure that observers were properly equipped and identified. DLA will coordinate with the Components earlier to ensure that the observers are identified and have advance knowledge of their roles, responsibilities and the DLA requirements they need to meet to participate. DLA (Gary Ziegler, J3312) will coordinate and work with OSD (Lynn Fulling). DLA needs Component observers identified by 17 August for the 2012 CFO sample. DLA will promulgate observer requirements prior to the August deadline.
- Strata plan was developed on the population as a whole. When selected NSNs were analyzed by the owning Service, some didn't fit as well into the strata by Service as when they were rolled up into a single strata. Not all strata were populated robustly. DLA will reassess the 2011 stratifications and determine if having a different strata for each owning Component would yield better sampling results for the 2012 CFOA sample.

Agenda Item 7: PDC 492, DOD Physical Inventory Control Program (PICP) Chief Financial Officers Act (CFOA) of 1990 Statistical Sampling Requirements and Procedures.

Dale Yeakel informed the JPIWG that PDC 492 had been staffed, the all the issues had been resolved and PDC 492 was now signed as ADC 485. The ADC codifies the policy memo from Mr. Peters, DASD (SCI) that will find its way into the OSD Supply Chain Policy Manual when reissued. The ADC provides the foundational guidance for the CFOA annual statistical sample while leaves sufficient room for the process to adapt year to year as the process for conducting the sample is perfected.

Agenda Item 8: PDC 449, Revised MILSTRAP Procedures for Logistics Accountability During Maintenance - Disallows Logistics Use of Inventory Adjustment Transaction (DAC) for Physical Movement of Materiel from a Storage Activity to a Maintenance Activity (Supply).

Mary Jane Johnson, J627 stated that all the Component responses to PDC 449 have been received and are currently under review to determine the remaining issues, formulate any additional questions/clarifications and determine the appropriate course of action prior to issuance as an ADC.

Agenda Item 9: DLA and Service Suspended Stock IPT Briefs on To Date Investigations.

The Defense Distribution Center provided a briefing (see link on agenda item 9) on the results and current status of the initiative begun in May/June 2011 to examine \$2.1.B of material that had been suspended in condition codes J, K and L. The goal was to clear as much of the suspended stock as possible while determining root causes for the suspensions and/or minimize them. DLA Distribution is partnering with Services to obtain disposition and identify root cause. Significant progress (\$900M) has been made in obtaining disposition instructions and reducing the suspended stock baseline. The challenge is to now address the root causes. Ellen Hilert noted PDC 403/403A requires a joint SDR and Supply PRC workgroup to resolve open comments on these PDCs. Lots of items are actually Service owned items that would be going to DLA. She is working with DLA and DLA Transaction Services to automate the SQCR and Stock Screening to a SDR like process by the end of the year. She will be asking the Services to incorporate the new processes into their Enterprise Resource Planning (ERP) systems. She also stated that another root causes is the lack of the PMR which is not fully implemented by

Services, when fully implemented it will help to resolve many issues. This is an ongoing effort and will be briefed again at both the next Supply PRC and the next JPIWG

Agenda Item 10: ICE Report. Lou Madrigal provided and update on the efforts to revise the Inventory Control Effectiveness (ICE) report. The goal is to recast the form to ensure that the information is consistent, well understood and provides meaningful/actionable metrics. Lou is working through the process to have the form formally approved as an as required form. A question was asked as to why issues and receipts are included together as a single line item. Gary Ziegler answered that the measure is calculating accuracy as a percent of the number of times the inventory is touched providing the opportunity to introduce an error. Ellen Hilert recommended that each line of the report and computation needs to be explicitly defined. Ms. Hilert used the example of denial codes and that there needs to be further definition to ensure there is nothing left to interpretation.

Agenda Item 11: Defense Logistics Manual Update. Captain John Burnett, J627 provided the current status on the drafting of the Defense Logistics Manuals (DLMs) that will replace the current series of DoD 4000.25 Defense Manuals. The target goal is to have the existing manuals republished in June 2012. (See agenda link for briefing.)

Next Meeting. The meeting ended with the Chair thanking everyone for their attendance and setting the next JPIWG Meeting for 19 September 2012 at DLA Room 1801.

Enclosure

PREPARED BY:

APPROVED:



Luis Madrigal
JPIWG Chair



Donald C. Pipp
Director,
Defense Logistics Management Standards

JOINT PHYSICAL INVENTORY WORKING GROUP (JPIWG)

Agenda for March 14, 2011 JPIWG Meeting

STARTING AT 0830 HOURS EST

DLA HQ, Conference Room 1801

8725 John J. Kingman Road, Fort Belvoir, VA 22060

DCO: <https://connect.dco.dod.mil/jpiwgmtg> CALL-IN NUMBER: 703-767-0937; DSN 427-0937

#	TOPIC	LEAD
	Opening Remarks	0830 EST J627
1	Address Open Action Items	J627 / Lou Madrigal
2	Reporting Progress By Establishing Interim Steps Towards Audit Readiness Outcomes	ODASD(SCI) / Lynn Fulling
3	FIAR Service Provider Support	OSD(C) / John Crowley
4	IUID Update	OSD ATL / Joel Yurcaba
5	AMCL 8A Compliance for Ammunition Systems Briefs	Services
	Lunch	1130 – 1230
6	CFO Inventory Sampling Plans	DLA / Gary Ziegler
7	PDC 492 , DOD Physical Inventory Control Program (PICP) Chief Financial Officers Act (CFOA) of 1990 Statistical Sampling Requirements and Procedures	J627 / Dale Yeakel
8	PDC 449 , Revised MILSTRAP Procedures for Logistics Accountability During Maintenance - Disallows Logistics Use of Inventory Adjustment Transaction (DAC) for Physical Movement of Materiel from a Storage Activity to a Maintenance Activity (Supply)	J627 / Mary Jane Johnson
9	DLA & Service Suspended Stock IPT Briefs on To-Date Investigations	DLA / Chris Lubic
10	ICE Report DD 2338-2 Update	J627 / Lou Madrigal
11	Defense Logistics Manuals	J627/ Capt Burnett
	Wrap up & Action Items	4:00 PM EST