



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

February 18, 2014

MEMORANDUM FOR JOINT PHYSICAL INVENTORY WORKING GROUP

SUBJECT: Joint Physical Inventory Working Group (JPIWG) Meeting, January 16, 2014

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

www.dla.mil/j-6/dlmsso/programs/committees/jpiwg/jpiwg.asp.

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

A handwritten signature in blue ink, reading "Donald C. Pipp", is positioned above the printed name.

DONALD C. PIPP
Director,
Defense Logistics Management
Standards Office

Attachment
As stated

cc:
ODASD(SCI)
Meeting Attendees



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MEMORANDUM FOR RECORD

SUBJECT: Joint Physical Inventory Working Group (JPIWG) Meeting, January 16, 2014

Purpose: The Defense Logistics Management Standards Office (DLMSO) convened a JPIWG meeting, January 16, 2014, at Defense Logistics Agency (DLA) Headquarters, Fort Belvoir, VA. The agenda, attendance list, briefings, and distributed documents are posted to the JPIWG website at: <http://www.dla.mil/j-6/dlmsso/programs/committees/jpiwg/jpiwg.asp>

Brief Summary of Discussion: Mr. Lou Madrigal, JPIWG Chair, facilitated discussion.

1. Address Open Action Items. The JPIWG Chair reviewed two action items that remained open from prior JPIWG meetings.

a. Ahead of the meeting Mr. Tom Czura, USARMY, AMCOM attempted to get verification from Tobyhanna that a planned system change to close an old action item had been implemented. The system change will prevent using inventory adjustment transaction (legacy document identifier code (DIC) DAC) with supply condition code (SCC) M to send materiel into maintenance. The change was requested after members noted at previous JPIWG meetings that the use of SCC M in the DIC DAC transactions left the materiel on DLA books, even after it was issued out of maintenance. While the system change of the open action item is a targeted fix at Tobyhanna, PDC 449 will ensure the proper procedure is clear. At this meeting, DLA reported a recent inspector general critical finding at Corpus Christi due to using SCC M in DIC DAC transactions. Air Force also reported that Wright Patterson AFB is highlighting the issue as a Financial Improvement and Audit Readiness (FIAR) issue. DLMSO anticipates finalizing the ADC for PDC 449 soon to help address these issues.

b. At the JPIWG meeting of last May, an action item sought to engage DLA Energy and DLA Disposition Services to evaluate the relevancy to their commodities in inventory control effectiveness (ICE) reporting, now that both activities have been integrated into DSS/EBS systems. Representatives of both areas attended this latest JPIWG meeting and will investigate the appropriateness of the ICE data collections on the latest form DD 2338 in respect to their particular inventories.

2. Summary of Revisions to DOD 4140.01. Ms. Jan Mulligan, Office of the Deputy Assistant Secretary of Defense, Supply Chain Integration (ODASD(SCI)), briefed the current status of the new DOD Manual (DODM) 4140.01 and highlighted some key modifications that have occurred since staffing the draft manual. Ms. Mulligan reported that the manual was in the final steps of the issuance process and should be signed out fairly soon. The presentation, linked to in the agenda on the JPIWG website, notes significant revisions by volume. *(NOTE: Subsequent to the meeting DOD Manual 4140.01 was signed out on February 10, 2014. The manual is available on the DOD Issuances website <http://www.dtic.mil/whs/directives/corres/pub1.html>.)*

a. Ms. Mulligan made a point of particular interest to participants regarding Volume 3 beefing up a requirement to maximize DOD inventory before purchasing from commercial sources. Prime vendors are to be contractually obligated to source from DOD before sub-contracting for materiel. This requirement is already policy in the DOD Instruction 4140.01 and is a compliance issue.

b. For Volume 5, Ms. Mulligan noted that in addition to the manual's incorporation of automated identification technology (AIT), an Asset Visibility Strategy providing plans for AIT is getting closer to being signed. This strategy document includes a CONOPS for RFID implementation.

c. In discussing Volume 6 changes, Ms. Mulligan explained that ODASD(SCI) is reviewing economic models every three years to evaluate effective contingency retention stock. ODASD(SCI) is examining the specific reasons for holding excess inventory and tightening timeframes to decide on movement of excess materiel to DLA Disposition Services. ODASD(SCI) will review inventory numbers every six months for compliance. DLA Disposition Services voiced concern about tight timelines resulting in Services "gaming" the system to get free issue through DLA Distribution Services, rather than requisitioning from a Service.

d. In relation to Volume 10, ODASD(SCI) has developed a new forecasting accuracy metric to validate that a forecasting method is working. This forecasting accuracy metric will be presented in March and analysis of data over time will verify if this new metric is helping DOD manage and improve forecasting. Ms. Mulligan shared that Peak/Next Gen is a new DLA methodology for classifying and determining acquisition strategies for low-demand, low-density items. Also, a Supply Metrics Guide, which ODASD(SCI) plans to eventually incorporate in the next issue of the manual, will be coming out soon.

e. When discussing the procedures in Volume 11 to replace unique item tracking (UIT) with IUID, Ms. Mulligan clarified that there is no discussion of sun setting the existing UIT programs. Any consideration of ending the existing UIT programs would depend on confidence that IUID tracking could prove sufficient in replacing the requirements of tracking by serial number.

f. In Volume 11 there is a change to increase requirements for REPSHIPS to 100% for all shipments that are CII. Ms. Mulligan was asked if the 100% requirement on CII includes pilferable items? She believe it does but will confirm.

Action Item: ODASD(SCI) to confirm that the DOD Manual 4140.01 increased requirements for REPSHIPS to 100% for all shipments that are CII includes pilferables.

g. Ms. Mulligan reiterated that ODASD(SCI) plans to reissue each volume independently as deemed necessary to publish updates.

3. 2013 CFO Sampling Plan. Gregg Feie, DLA J33, presented a review of the 2013 Chief Financial Officer (CFO) Inventory Sampling Plan conducted last September. Mr. Feie confirmed that the stratum for the Zero Standard Unit Price population continues to be reduced. In examining ways to improve the CFO Inventory Sampling Plan, DLA continues to look at ways to automate the process to reduce the number of systems and touch points involved.

4. Mr Joel Yurcaba supporting ODASD(SCI) provided an update on IUID.

a. Since last year's update there has been a significant development in the implementation of the FLIS code to identify IUID items, which is a trigger for contracting and logistics transactions. As progress is made to apply the FLIS indicator to all appropriate items, Components will re-estimate their marking percentages. The targeted critical mass for a population of items to be marked is 75% within a specific area. The only area close to that critical mass mark currently is Small Arms and Light Weapons. On a gross number basis, the IUID registry has over twenty-three million records and is seeing roughly fifty thousand new UIIs registered each week. Mr. Yurcaba explained that completing IUID marking will occur through attrition. DLA is not to mark legacy items that lack IUID markings, even if they are Service owned. The Services are to mark these items as they put them into use. Services are welcome to mark items in stock, but this is not expected to happen.

b. Mr. Yurcaba mentioned that a working group was recently formed to develop an Enterprise IUID CONOPS targeted for completion in Q3 of FY14.

c. The IUID registry has been updated with a discrete field for capturing the item's NSN. This year the IUID registry will be merged into the WAWF system portfolio, which is expected to help reduce problems where data passed edits in WAWF, but failed IUID edits. After discussion of the topics below, regarding government furnished property (GFP), Mr. Yurcaba explained that the IUID registry's GFP module serves to track GFP whether or not the item is subject to IUID marking.

5. **GFP Working Group, Property & Equipment Policy Update.** Ms. Amber Propert, of the Property and Equipment Policy Office, gave a presentation explaining the implications of new policy on capitalization threshold and developments toward defining requirements to certify an Accountable Property System of Record (APSR).

a. The capital threshold is the valuation at which real or personal property becomes classified as a capital asset. DOD needs to report depreciation for assets valued above the capitalization threshold. DOD can base depreciation on years or intensity of use. For more than a decade DOD had set an across the board capitalization threshold of \$100K, which excluded military equipment. After studying the appropriateness of the existing capitalization policies, a study group recommended changes that basically expanded the definition to include military equipment and increased the thresholds to \$1M for Air Force and Navy General Fund Assets, and \$250K for all other DOD assets. The recommendations went into effect beginning with property acquired in FY14; they are not retroactive for existing assets acquired prior to FY14.

b. The staff in Ms. Propert's office are working with ODASD(SCI) to identify the system requirements for certifying an APSR. They are coordinating a checklist with ODASD(SCI) and the Defense Procurement and Acquisition Policy Office (DPAP) for validating an APSR, and targeting the next version of the DOD Business Enterprise Architecture (BEA) to include many of the APSR checklist requirements in the Acquire-To-Retire business process.

6. Update on New Physical Inventory Policy Changes. Mr. David Guinasso of DPAP presented updates on GFP policy efforts involving DPAP.

a. Mr. Guinasso noted the progress DOD has made toward synchronizing and de-conflicting DOD policy for GFP. Mr. Guinasso explained new GFP policies and the need to improve the consistency of including the appropriate GFP clauses in contracts.

b. A particular point of discussion was the current GFP policy to standardize contractor DoDAAC assignment to one DoDAAC per contract. The one DoDAAC per contract was a fix to create a one-to-one accountability. Mr. Guinasso confirmed that if the prime vendor sub-contracts, then the sub-contractor is to reference the prime vendor's DoDAAC for the contract. To deliver GFP to an entity other than the prime contractor would require additional DoDAACs in the contract. Also, the assignment of a DoDAAC is only mandated if the contractor has requisition authority. Otherwise, current policy leaves it to the Service to decide if the contractor should be assigned a DoDAAC.

c. Mr. Guinasso shared information about helpful resources available and in the works. DPAP maintains a DOD Procurement Toolbox as a front door for all non-policy procurement materials (<http://www.dodprocurementtoolbox.com>). Also, a performance based logistics (PBL) guide is in the works at ODASD(SCI) to assist supply activities in developing better PBL contracts. ODASD(SCI) is asking for input from Components for metrics that can provide useful measurements of PBL contracts.


7. Other Discussions. DLMSO noted it is working on a DLMS change to enable DLA Distribution Services to perform a Materiel Receipt Acceptance (MRA). However, materiel intended for DEMIL is receipted by a party other than a DEMIL facility and there is no follow-on confirmation back to customers confirming DEMIL. Distribution Services was asked to investigate if a DEMIL transaction is necessary.

Action Item: DLA Distribution Services to report back if there should be a DEMIL transaction back to the customer confirming DEMIL.

8. Next JPIWG Meeting. The next meeting has been scheduled for January 15, 2015.

PREPARED BY:

APPROVED:


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Office