ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT RATIONALE	DISCUSSION DISPOSITION
1.	A	Gen		The Army recommends the proposal be rewritten to address the immediate recommendations of the General Accounting Office (GAO) Final Report, GAO/NSIAD-88-11, "Army Inventory Management: Inventory and Physical Security Problems Continue," 9 Oct 87, (GAO Code 393175) OSD Case 7368 and the equivalent audits of the other services and DLA. This direction would facilitate implementation of the annual sample statistical inventory, revision to the policy affecting reversal of inventory adjustments, and the content of the Inventory Control Effectiveness (ICE) Report. As written, the thrust of the proposal is oriented in the long term and cannot realistically be implemented. Therefore, the Army recommends creation of two separate proposals (mid and long term goals).	Withdrawn. The JPIWG recognizes that phased implementation will be required. (Includes DLA comment.)
2.	AF	Gen		The Air Force concurs with the subject proposal. Although numerous changes will have to be made to current data systems, these changes are in consonance with AFLC Inventory Management Policy and should assist in enhancing the accuracy of our wholesale inventory account.	Concur.
3.	A	Gen		AMCCOM - JOCMSSG The Defense Ammunition Directorate has no objections to the changes proposed in subject PMCL.	Concur.
4.	GSA	Gen	Encl 2 Pg 2 (12)	GSA has reviewed Proposed MILSTRAP Change Letter (PMCL) 114A, Revised Procedures for Physical Inventory Control and concurs with all proposed system changes except deleting the generation of DKA transactions. GSA does not agree with eliminating the Document Identifier Code (DKA) Physical Inventory Count. A DKA transaction does not generate any type of adjustment to our system, while providing us with an actual account of assets at the depot. We are then able to review each transaction in conjunction with our records prior to processing an increase/decrease inventory adjustment. If counts are generated to GSA by use of the D8/D9 adjustment transaction, this will automatically process a stock adjustment against our accountable record. This does not allow us to determine if GSA is actually the accountable service. Numerous count transactions have been received at GSA in the past from military services and were later identified as unauthorized returns and we could not assume accountability of material. Therefore, using the D8/D9 transactions for reporting counts would have an adverse impact on GSA's Financial Accounting System.	This issue will be coordinated with the MILSTRAP Administrator. See attachment 1.

Encl 3

Item No.

5. Disposition:

    a. Controlled Inventory —   Withdrawn.

    b. Custodial Accountability —   Delete and replace with Materiel Accountability.

    c. Custodial Record — Rewrite. A record maintained by the storage activity reflecting standard catalog data, owner/manager identification and on hand quantity by supply condition code for controlling assets in storage and aiding in inventory; will include lot/serial number for ammunition.

    d. Custodial Responsibility — Definition will be validated with the Joint Ordnance Commanders Munitions Supply Sub-Group (JOCMSSG).

    e. (Add) Physical Accountability — (Should be Materiel Accountability) The act of safeguarding, answering for, and exercising proper quantitive and physical controls over DoD materiel, supplies, and equipment in the care and custody of DoD activities.

    f. (Add Financial Accountability) — Withdrawn.

6. Disposition: Concur. A. All materiel denials for partial and complet quanties will be reported in the ICE Report as follows:

    (1) General Supplies: 1, 2, 4, 5, 6, 7.
    (2) Ammunition: 1, 2, 5, 6, 7.

B. Delete line entry for Inline Denials/Bounceback in the ICE Report.

C. Navy will define internal management code 8 for possible inclusion/exclusion in the ICE Report.

5.C. typographs, date of work/dating explanation for alterations

ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT RATIONALE	DISCUSSION DISPOSITION

5.	DLA		Att 1	The following definitions will require changes/revisions:
				  a. Controlled Inventory
				  b. Custodial Accountability
				  c. Custodial Record
				  d. Custodial Responsibility
				  e. (Add)Physical Accountability
				  f. (Add)Financial Accountability
					See attachment 2.

6.	A	2a(1) 2a(2)	Att 1 1.a	Recommend the definition of post count validation be changed to read, "A comparison of physical count with recorded balances...." to reflect current policy and reality.	Concur.
			1.c.	Nonconcur. The definition of Inline Denial/Bounce Back should not include situations where assets are not available due to shelf-life, type of pack, lot number, length requested, or redistribution activity. Each of these situations should require some investigation or physical search.	Concur. See attachment 2.
	DLA	"	1.C.	Inline Denial/Bounce Back: Add Date of Pack/Date of Expiration	Concur. Revise denial management code #3 to include Date of Pack/Date of Expiration. Amcl 5
	DLA	8,9,10	Att 1 Pg. 2	Appendix C16 and C17 Retain Physical Inventory Infloat Control Date to retain the 5 day control process	Concur. Record positions 35-38 will be retained during conversion/phased implementation.
				Appendix C19 Retain Physical Inventory Count Rationale: Support phased Implementation	Concur.
				Appendix C19 Delete footnote on C59-2	Concur.

ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT / RATIONALE	DISCUSSION / DISPOSITION
8.	A	Gen 1.a.	7. B. pg 7-2	The Army nonconcurs in the proposed transfer of accountability from the inventory control points (ICPs) to the storage depots. The action may have serious impacts on Army materiel managers at the ICPs who may no longer identify, audit, or control accountable balances for the materiel they manage. The Army made a decision to establish a check and balance system of accountable and responsible officers to ensure an accurate and auditable method for inventory and adjustments to that inventory. This PMCL would eliminate that check and balance, by allowing the depot to both control and post accountable transactions without any ICP review, input, or challenge.	See attachment 3.
		1.c.		The Army also has concerns about increased resource requirements in the current constrained resource environment. The Army has been unable to complete the inventory program for the past 2 years. This PMCL will require additional resources to accomplish the monthly reconciliation, the sample inventory, increased research requirements, and increased reporting requirements, but no additional resources are anticipated to support these requirements.	See attachment 3.
9.	A	1.e.	7. B.3. pg 7-2	The Army nonconcurs with defining a line item as a National Stock Number (NSN) and Supply Condition Code. The purpose of the physical inventory program is to confirm the accuracy of records by NSN and differences in condition should have no impact on calculations of accuracy.	Withdrawn.
		2.b.0)		Nonconcur. As discussed in para 1e above, the term "supply condition code" should be deleted from this paragraph.	Withdrawn.
	DLA			Revise to read: DoD materiel is managed and controlled by NSN, Storage Activity and supply condition code Type of Pack, and Date of Pack/Date of Expiration; therefore, inventories will be conducted and the results reported by NSN, storage activity, supply condition code, type of pack and date of pack/date of expiration	Withdrawn. See item 6 (DLA). Add type of pack/date of expiration where applicable.

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8. Disposition: In discussing the PMCL, it was determine that the Components, except Army, concurred with the principle of depot materiel accountability. To meet the objective of depot materiel accountability that was outlined in the Deputy Assistant Secretary of Defense (Logistics) letter of 17 November 1988, the JPIWG compromised and agreed to require the storage activity to initiate inter-Service/Agency D8A/D9A, Inventory Adjustment Increase, Decrease (Physical Inventory) transactions for reporting physical inventory results to the owner/manager. The JPIWG also recognized that the storage activity could continue to initiate intra-Service/Agency physical inventory count transactions for reporting physical inventory results to the owner/manager.

Disposition: The resource impact issue was discussed at length and it was determined that the PMCL was written to maximize our available resources. As proposed and ammended at the meeting, the location reconciliation process will not require additional resources. This is based on the requirement to perform location reconciliation monthly only on items that had any transaction activity affecting the record balance and the revised mimimun research requirements. The quarterly ICE Report does not require an increase in workload because the data required is already used to compile the current ICE Report but is not reported. Additionally, the requirement to perform and report causative research results on all statistical sample adjustments has been deleted. Causative research will be performed IAW the revised mimimun research requirements, but will not be reported. However, there is a one-time requirement to modify the report

Attachment 3, Page 3; Item No. 8 continued.

generation program and to program the annual statistical sample requirements.

ITEM NBR	CMPNT CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT / RATIONALE	DISCUSSION / DISPOSITION
10.	N	1.a.	B.2. pg 7-2	Change the wording "approach to the taking on physical inventory counts" to "approach to physical inventory counts."	Concur.
11.	MC	1.b(2)	B.5. pg 7-2	Recommend requirement be left to the discretion of the Services and Agencies as long as the end results will be compatible with current accounting procedures.	Withdrawn.
12.	N	1.b.	B.5.a()	Requirement for an annual random statistical sample inventory and the equation for determining sample size. Rationale: Presently the entire Marine Corps inventory process consists of sampling within inventory segments. The proposal to require additional statistical sampling will create a work load not commensurate with any foreseeable improvement such as providing suitable information for management purposes. This additional workload does not appear to be feasible under probable austere personnel budget policy in the near term. The formula is incorrect and should read : $n = \dfrac{Nt^2 (1-p)}{NE^2/p + t^2(1-p)}$	Withdrawn. Formula validated in source text.
13.	DLH		B.5.a(2)	Non-concur. Request rationale for requiring causative research regardless of dollar value. This requirement is in direct conflict with the Advantage reflected in paragraph 4a(4).	Concur. Causative research requirement deleted. Causative research will be conducted IAW Figure 7-1, but will not be reported as part of the annual random statistical sample report.
	A	2.b(2)		Nonconcur. Recommend a dollar value threshold between $50 and $100 be established for performing causative research due to resource limitations. The exhaustive causative research should not be required for low dollar value adjustments.	

ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT / RATIONALE	DISCUSSION / DISPOSITION
14.	A	2.b(3)	B5a(3) pg 7-3	The number of errors must be included in the calculation of overall accuracy. The data elements listed should be verified to assure that all are statistically necessary. (Note: See #57)	14. DLSO and Navy will determine appropriate method of combining sample results to reflect Service/Agency overall inventory record accuracy, unit accuracy, and dollar value accuracy.
15.	DLA		B5b(3) pg 7-4	Delete reference to DoD 4100.39-M, Vol 10, Table 61. Rationale: Does not contain other Item designated by the Services/Agencies, e.g., Subsistence, radioactive Items, etc.	15. Concur.
16.	A	2b(4)	B5c(3) Pg 7-4	Recommend, for clarity, the last sentence be changed to read, "...over items in paragraph B.5.a and b."	Concur.
	DLA			Request clarification: Should items selected via random sample be excluded from this base?	Withdrawn.
17.	N	1.C.	B6a pg 7-5	For clarification the word preadjustment should be inserted before the word research.	Concur.
18.	DLSO		C1a Pg 7-5	Delete accountable activity. Add owner/manager. Rationale: To be consistant with remainder of PMCL.	Concur.
	N	1.d.		To ensure the storage sites are aware of the accountable activities schedule, the schedule should be forwarded to them. After the first sentence add "This schedule will be forwarded to each storage activity."	Concur.

ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT RATIONALE	DISCUSSION DISPOSITION
18.	DLA	·	C/a pg 7-5	This part is totally confusing. Paragraph B5 implies that the storage activity is the (physical) accountable activity versus this paragraph which requires storage activity consider, etc, requirements of the accountable activity:	Concur. See attachment 4.
19.	N	1e	C2a pg 7-5	"Actions to ensure location integrity by correcting such situations as unbinned/loose material; questionable identity of material in location; single location containing multiple condition codes; inadequately labeled shelf life items (label should indicate date of manufacture/assembly/pack, as appropriate, and date of expiration/inspection test); and/or multiple material lots stored in a single location.	Concur.
20.	A	2b(5)	C4a pg 7-6	The use of document identifier code "DJA" should be used for all inventory requests from the ICP. The Type of Physical Inventory Code will identify scheduled and unscheduled inventories.	Concur. DI DJA will be used by both the ICP and storage activity to initiate/ reschedule physical inventories. Delete all references to DI DJB. Type of physical inventory/ transaction history codes will remain the same.
	DLA		C4a+b	Add: DI Code DJA for ICP initiated inventories. Assumption: paragraph C mandate sample initiation by the storage activity.	
21.	N		C5a	Other conditions that should warrant waiving special inventory restriction are when the inventory manager is in a "buy" or a "repair" position or has recently initiated a purchase request.	Withdrawn.

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18. Disposition: C.1.

a. To meet the requirements of paragraph B.5., each owner/manager will prepare a proposed annual inventory program schedule for each storage activity holding assets for the owner/manager. This will be accomplished during the fourth quarter of each fiscal year for the following fiscal year. The owner/manager will forward a copy of the proposed schedule to each affected storage activity to arrive at least 30 days prior to the end of the fiscal year preceding the fiscal year being scheduled. The storage activity will create a master physical inventory program schedule based on the proposed schedules received from the owners/manager. In creating the master schedule, storage activities will accomodate the requirements of the owners/managers to the maximum extent within available resources. Both the proposed schedules and master schedules will include all scheduled inventories required to comply with paragraph B.5. and the estimated number of unscheduled (spot and special) inventories to be accomplished in the fiscal year. The storage activity will provide copies of the master schedule to each affected owner/manager prior to the beginning of the fiscal year being scheduled.

ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT / RATIONALE	DISCUSSION / DISPOSITION
22.	A	2b(6)	C6a pg7-6	Nonconcur. Army cannot agree with canceling inventories in-process. This would not be conducive to an orderly inventory program and would be a waste of resources. The DODI 4140.35 requires the control of in-float transactions or use of a "shut-down inventory." Transactions such as disposal release/redistribution orders, rewarehousing, and cataloging changes are considered business as usual; therefore, must be accommodated by in-float controls. Insufficient resources/time are not valid reasons because they are foreseeable factors which should be considered during the scheduling process. The depot and ICP computers are capable of receiving inventory results whenever they are transmitted/received. Therefore, advance notices should not be necessary.	Withdrawn.
	N	19		Insert "insufficient time" before to notify on the next to the last line of the paragraph.	Withdrawn.
23.	A	2b(7)	C6b pg7-7	Nonconcur. Same reason as above. # 22	Withdrawn.
	DLA			Non-concur. Assign separate DIC in lieu of DJA/DJB with Management Code N to indicate cancelled inventory and provide separate Reason for Cancellation or Management Codes. For example: A - Item scheduled for different Cut Off Date B - Inventory completed within last 90 days C - DRO received prior to completion of scheduled inventory D - Catalog change received which affected the NSN, UI, or commodity manager E - Resources not available F - Materiel not ready for count	Withdrawn.

ITEM NBR.	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT RATIONALE	DISCUSSION DISPOSITION
24.	DLA		C 7 pg 7-7	Non-concur. The procedure should require submission of a cancellation (DJB, Management Code N) prior to submitting the rescheduled DJB.	Withdrawn.
25.	DLA		C.8b	Revise seventh line to read: "...(UMMIPS) or when required to meet specific RDD (Subsistence Only). Per MILSTRIP AMCL 7."	Concur. Rewrite C.8.b., line 6, pg. 7-7 to read: "... the order/ship timeframes recognizing the RDD in accordance with..."
26.	A	26(8)	C8c pg 7-8	Preadjustment research is performed by ICPs, not depots.	See Item No. 8.
27.	A	26(10)	C8 d+e pg 7-8	Nonconcur. The Army takes total exception to the policy and procedures in these paragraphs for the following reasons: (a) Adjustments to the accountable record must be approved by the accountable stock record activity's accountable officer. The responsible officer, i.e., the depot commander, is responsible for the physical security, control, and safeguarding of materiel stored in his depot. He is also responsible for inventory counts, postcount validation, and participating in preadjustment research. However, the accountable officer is responsible for reviewing and approving all quantity adjustments to the accountable record. The concept and responsibilities of the accountable and responsible officer in the Army are well defined and understood. This policy transfers ownership of materiel from the inventory control point to the depot commander, who is currently the custodian of depot stocks. The Army cannot accept this transfer of responsibility and functions.	See Item No. 8.

ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT / RATIONALE	DISCUSSION / DISPOSITION
				(b) Under proposed policy and procedures the balance on the custodial record will never be reconciled to the accountable record for discrepancies over $500. If the custodial and accountable records do not agree, the proposed policy will adjust both records by the same quantity, but not bring them into agreement. (c) Preadjustment and causative research must consider all transactions posted to the accountable record at the ICP for which the depot has no visibility. There are other conditions that may occur at the ICP that account for record imbalances, such as failure to process "post-post" transactions, rejected receipt documents, reidentified items, equipment on loan, etc. Furthermore, the depot has no visibility of factors such as foreign ownership. The proposed policy fails to recognize the vital importance of preadjustment research conducted by the ICP in reconciling file imbalances.	
28.	A	1d	C8d pg 7-8	The Army nonconcurs with the elimination of the inventory count transaction (DIC DKA) for use during reconciliation of balances. Use of an accountable record adjustment (DIC D8A/D9A) only will not bring the two records into agreement, but will only adjust both records by the same amount.	See Item No. 8.
	A	2a(3)		Nonconcur. The DIC DKA (inventory count) should not be deleted for the reasons stated in paragraph 1d above.	
	MC	1a(1)		Recommend requirement be left to the discretion of the Services and Agencies as long as the results will be compatible with current accounting procedures. Elimination of the DI Code DKA, Physical Inventory Count Procedure. Rationale: The Marine Corps Accountable Records are located at the ICP and the interface between this system and the Financial Accounting System require the DI Codes D8/D9 transactions be generated as a result of the counts provided by the Storage Activity, as well as creating a complete record, audit ready, for each inventory.	Withdrawn.

ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT RATIONALE	DISCUSSION DISPOSITION
29.	DLSO		C8d		

Line 6, add ... "with zero quantity, DI Code DZA and seven days transaction history (DI Code DZK)!".... (see flow chart below.)

Rationale: To provide quantity to owner/manager.

Withdrawn.

See PMCL 114A Pg 7-8, ¶C8d+f and Pg 7-11 ¶D8a

ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT RATIONALE	DISCUSSION DISPOSITION
	DLSO		C8f pg 7-8	Line 4, add ... "DI Code D8H/D9A, DI Code DZA and seven days transaction history (DI Code DZK) to ". ... Rationale: See above.	Withdrawn.
	DLA		C8f	Recommend that the last sentence be separated into sub-paragraph g. Rationale: Does not require a physical count.	Concur.
30.	A	2b(11)	C9 pg 7-8	Nonconcur. Reason same as above. #27	See Item No. 8.
	N	1h	C9	Reporting of Results of Physical Inventory. The term "PICD" need clarification. The intent is to complete a scheduled inventory within 30 days and unscheduled within 10 days. The results of these inventories should be reported after adjustment research completed.	Concur. Add last sentence. "... Storage activity initiated inventories will be completed IAW the above schedule."
31.	N	1i	C10	Add "and physical count of material" to the end of paragraph.	Concur.
32.	A	2b(12)	C11a pg 7-8	Nonconcur. The Army cannot agree with follow-ups after 15 calendar days. The current system for controlling in-float transactions requires 15 days before counting begins. Follow-up after 30 days would be acceptable.	Withdrawn.
33.	DLA		C11b pg 7-9	What information would the DJB with Management Code Y provide? This procedure would appear to place the ICP and Storage Activity into a manual mode to process an adjustment that did not process to the ICP record.	Withdrawn.

ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT RATIONALE	DISCUSSION DISPOSITION
34.	N	1j	C 12 pg 7-9	<u>Reconciling Accountable Records</u> <u>with Financial Value.</u> This section requires clarification as to the frequency of this requirement.	Concur. Add reference to DoD 7220.9-M, DoD Accounting Manual, ref. z.
35.	A	2b(13)	D1 pg 7-9	This paragraph does not allow for automatic adjustment at any dollar value. Computers are capable of comparing in-float transactions (preadjustment research) and processing low dollar value adjustments.	Concur. See revised Figure 7-1.
36.	A	2b(14)	D3a pg 7-10	Preadjustment research is performed by ICPs, not by depots. The Army does not agree with the depot adjusting accountable records by transmission of a D8A/D9A adjustment.	See Item No. 8.
	N	1k	D3a	Preadjustment research time frames should be measured from the Physical Inventory Cutoff Date (PICD) not from the initiation of the physical inventory. As it now reads storage activities would have only 25 days for a scheduled inventory and 5 days for an unscheduled inventory.	Withdrawn.
	A	2b(15)	D3b	Nonconcur. In order to be accomplished properly, an arbitrary time limit of 45 days cannot be imposed for completion of causative research. The current Army policy allows 90 days for completion of causative research and our experience shows that this is a reasonable timeframe.	Concur.

ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT RATIONALE	DISCUSSION DISPOSITION
37.	N	11	D4 pg 7-10	Need to define the term "DLSS".	Concur. Delete "DLSS" and add "transactions affecting the balance."
38.	A	2b(16)	D6a pg 7-11	Nonconcur. Providing the results of causative research "by error cause code and NSN" does not represent a summary. The results of causative research are, and should be, summarized by error cause to higher headquarters or service level with information copies furnished to storage activities.	Concur. Line three add "... the activity performing the Causative research will..." and line seven. delete "...and NSN."
	N	1m	D6a	As written, this paragraph is unclear as to who reports and what information is actual provided. Will the inventory control point provide a quarterly summary to the storage site of causative research results when the number of adjustments equal to greater than the causative research threshold occur in a quarter? For the Navy this would be very cumbersome because each storage activity may have a different causative research threshold, depending of total dollar value of material stocked. Also, the causative research error code assignment is made when causative research completed. Therefore, the summary report should be placed on reversal transactions not original adjustment.	Concur. See above.
39.	A	2b(17)	D8a	Nonconcur. The Army does not agree with the depot adjusting accountable records by transmission of a D8A/D9A adjustment.	See Item No. 8.
	DLA		D8'4 D8a	Add Management Code 8 for Date of Pack/Date of Expiration (Subsistence only).	Concur.

ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT RATIONALE	DISCUSSION DISPOSITION
	DLSO		D8a pg 7-11	Line 2, delete ... "to the ICP"... Line 3, add ... "1 or 2 and seven days transaction history (DI Code DZK) to the owner/manager."... Rationale: To provide transaction history.	Withdrawn.
	A	2b(10)	D8b+c	Nonconcur. The inventory should be performed in conjunction with denial research, to insure that unnecessary denials are not made, and to eliminate potentially unnecessary adjustments and reversals.	Concur. Add paragraph D8d "... If physical inventory can be accomplished within the UMM IPS timeframes, the physical inventory may be conducted.
40.	DLA		F pg 7-12	Add exclusion for Subsistence stored in Commercial Facilities	Withdrawn. DLA will request a waiver.
41.	N	1"	F1 pg 7-13	The existing policy states that all locations at each storage activity will be surveyed not less than once each fiscal year. The Navy recognizes the value of location surveys in support of inventory accuracy. However, as we continue to improve location accuracy we have also placed renewed emphasis on line item accuracy. Over the past two years several quality control techniques and ADP support programs have been implemented at Navy stock point. One specific program provides us with management tools to assess the overall location accuracy of each storage site on a continuous basis; rather than a once a year snapshot of an individual warehouse and composite reporting during the fiscal year. The Physical Inventory Master Plan that each stock point will execute requires wall-to-wall location surveys or physical inventories dependent upon the sampling results for the achieved location accuracy and item characteristics. If sampling capabilities exist to validate overall location accuracy it is recommended that DoD policy be changed to waive the complete location survey requirements. It has been our experience that certain warehouses historically maintain high location accuracy, while other require more frequent reviews. The intent of our statistical location survey program is to:	Withdrawn. The DoD Physical Inventory Control Program Plan FY88-FY89 recognizes the need to take advantage of the new technologies in physical distribution systems. The Navy and Air Force have been tasked to test random statistical sample location survey in automated warehouses. IAW objective number 5 of the Plan.

ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT
				RATIONALE
N	1h	F1 pg 7-13		

COMMENT

1) Project workload and resource requirements based on warehouse conditions highlighted during sample.

2) Prioritize complete location surveys and/or physical inventories for specific warehouses which fail to meet a 98% location accuracy rate.

3) Provide a system for continuous appraisal and certification of an activity's location accuracy position.

Recommend that DoD reevaluate the requirement to conduct a complete location survey once each fiscal year. The Navy recommends that the policy be changed to give the services more flexibility in applying their physical inventory program resources. The proposed policy change would require services to conduct a sample inventory and location survey during the fourth quarter and use the results to develop next fiscal year's schedule. Activities are required to maintain at least a 98% location accuracy rate in all warehouse/warehouse area. If a 98% sample accuracy rate is not met, and the actual bounds on accuracy is 2 percent, stock points will immediately perform one of the following:

1) A complete location survey of the warehouse/warehouse area which failed to meet the accuracy requirement. This approach is recommended for warehouse areas that contain primarily low dollar value and high demand items (e.g. a typical bin complex). A complete survey will be completed within 90 days of the date the sample survey was completed.

2) A wall-to-wall physical inventory of the warehouse/warehouse area which failed to meet the accuracy requirement. This approach is recommended for warehouse areas that contain primarily high dollar value and low demand items (e.g. a repairables warehouse). A wall-to-wall inventory will be completed within 90 days of the date the sample survey was completed.

Activities will perform a sample location survey of overall population on a quarterly basis. The quarterly results will be sued to adjust the annual plan as necessary and direct resources to problem areas.

The quarterly sampling results will be used for reporting to DoD to assess service/agency location accuracy performance.

DISCUSSION

DISPOSITION

ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT RATIONALE	DISCUSSION DISPOSITION
42.	A	2b(9)	F1d Pg 7-13	Comparison of locator records to assets in storage is just as important as the reverse. In other words, both a floor-to-file and file-to-floor comparison are needed to insure location accuracy.	Withdrawn.
43.	A	2b(9)	F1h(3) (7)	Errors in serial/lot number and accuracy of magazine data card applies to ammunition only and should be so noted.	Concur.
	N	1o		Add (Ammunition only) after completeness and accuracy of magazine data card.	Concur.
	DLA			Add: Date of Pack/Date of Expiration	Concur.
44.	N	1p	F1i	Add paragraph i. To ensure storage activity record accuracy special inventories should be performed when assets are found in an erroneous or unrecorded location and when there are mismatches in the unit of issue that may result in a quantity error.	Concur.
45.	A	2b(21)	F2b	Nonconcur. The Army is currently performing reconciliations quarterly and resources do not permit increasing the frequency to monthly. Monthly reconciliations would not allow adequate time for the ICP to request and the depot to perform the inventories necessitated by differences in custodial and accountable balances. The Army recommends that a quarterly frequency be considered. In addition, scheduling these reconciliations on the "first Tuesday of the month" will result in problems in scheduling computer time. The services need some flexibility in scheduling exactly when an inventory program will be run. Services may need/choose to run it on the weekend. These procedures should only specify "the first week of the month" and the month of reconciliation (para 7F2b(2)).	

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	DLA		F2 b(1) pg 7-15	Add statement to require zero records via DZH with zero quantity.	Concur.
	DLA		F2b(2)	The annual reconciliation appears to be an unnecessary expenditure of resources.	Withdrawn.
	DLA		F2b(3)	Non-concur. Reconciliation should include zero balance records.	Concur.
	A	2b(22)	F2b(4)	Nonconcur. The Army already has automated procedures for controlling the transmission of batches of data through DAAS. Such controls should be considered rather than messages or follow-up transactions.	Withdrawn.
	DLA		F2b(4) (5)	This section should be expanded to provide procedures for use of the DZL, DZM, DZN and DZP transactions. Section should include timeframes, special provisions, e.g., retransmission of DZH and any related DZK documents, etc.	Concur.
	DLA		F2b(6) pg 7-16	Delete "immediately". Provide a scheduling technique depending on volume.	Concur.

ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT RATIONALE	DISCUSSION DISPOSITION
	D LA		F2b(7) pg 7-17	How is the depot to be notified of this adjustment?	Withdrawn.
	DLA		F2b(8) (c)	Expand to state that when an Inventory will be accomplished. Does provisions of paragraph C6 apply, i.e., Inventories as the results of Location Reconciliation will only occur when an inventory has <u>not</u> been accomplished within the past 90 days.	Withdrawn.
	A	2b(23)	F2b(9)	Nonconcur. Accuracy should be calculated based on one error per NSN and storage activity.	Withdrawn.
46.	A	2b(24)	G1	Recommend "facsimiles" be defined for clarity. Also, condition code changes are not considered to be a change in the accountable balance.	Concur.
	DLSO		G1	Line 1, add... "facsimiles, e.g. microform (microfilm, microfiche) etc. Rationale: To define facsimiles.	Concur.
	A	2b(25)	G3	Suggest "backup documentation" be explained to avoid confusion.	Deferred pending completion of Causative research paragraph.

ITEM NBR	CMPNT CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT RATIONALE	DISCUSSION DISPOSITION
47.	A	2b(26)	H1 pg 7-18	Recommend quality checks of adjustments and causative research be identified separately. Those checks which apply to ICPs and depots should be identified, to avoid confusion.	Deferred pending completion of quality control chapter.
	N	1r		The quality control program should also include a review of the physical inventory and location survey process.	See above.
	DLA		H1f pg 7-19	Include quality check on timeliness for recording catalog changes.	Concur.
	A	2b(27)	H2	Army experience has shown that using the findings of quality control checks and other inventory program indicators in official performance evaluations has been counter-productive. The has been confirmed in recent Inventory Control Effectiveness Reviews as well as GAO findings.	Withdrawn.
48.	A	16	I pg 7-20	The Army nonconcurs with the expansion of the Inventory Control Effectiveness Report from one to five pages, and a itemized listing of each error identified by the statistical sample inventory. No rationale is offered to explain this dramatic increase in the level of detail to be provided to OASD, and such detail is not felt to be appropriate.	Withdrawn.
	DLA		:	Add: Exclusion for Subsistence stored in Commercial Facilities	DLA will request exclusion from OASD.

ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT RATIONALE	DISCUSSION DISPOSITION
A		2b(28)	I 1 a	Nonconcur. The Army should not be reporting on the performance of other service storage activities and no procedures exist for reporting between service activities. The volume of Army assets which are stored in other service activities is extremely low and would not warrant the expense of establishing such procedures.	Withdrawn.
A		2b(29)	I 1 d	Nonconcur. Recommend the timeframe for submitting the ICE report remain 75 days until the report can be automated and services determine that the required review, analysis, and approval can be accomplished in 60 days.	Concur.
A		2b(30)	I 2	Nonconcur. The level of detail currently included in the DOD Inventory Control Effectiveness Report provides adequate summary level data for management oversight. The purpose of the ICE Report is not to measure turbulence in accountable records and is not to distract managers with minor variations in quantity, but to measure the accuracy of records. Additionally, the unit variance measurement gives the same importance to a one cent item as a ten million dollar end item. Unit variance provides no useful measure of accuracy, and over-emphasizes unimportant items. The current report is "directed toward those potential and actual discrepancies, controlled inventory items, and weapon system critical items for which the maximum returns will be derived per the resources applied" and should be retained in its current form.	Withdrawn.

ITEM NBR.	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT RATIONALE	DISCUSSION DISPOSITION
	DLSO		I 2 pg 7-20	Realign ICE Report Preparation Instruction to conform to the ICE Reports in Appendix A8 (General Supplies) and Appendix A9 (Ammunition). Example: General Supplies PART I. Performance PART II. Physical Inventories and Adjustments. PART III. Statistical Sample. Ammunition PART I. Performance. PART II. Physical Inventories and Adjustments.	Concur.
N	1s	I 2 b(1) pg 7-21		Appendix B19 is incorrect, should be appendix B7.	Concur.
N	1t			Why aren't Management Code 5 (not available in proper shelf life) and Management Code 6 (material being reidentified or reclassified) included as material denials?	Concur.
	DLSO		:	Line 1, add MILSTRIP Management Codes 3 and 5. Rationale: To include denials caused by improper shelf life and materiel being reidentified or reclassified.	Withdrawn.

ITEM NBR.	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT RATIONALE	DISCUSSION DISPOSITION
DLSO			I2b(1)(b) pg 7-21	Line 1, add Management Codes 3 and 5. Rationale: SAB.	Withdrawn.
DLSO			I2b(4)(d) pg 7-23	Line 4, add ... "$800) and all variances on controlled items (classified, sensitive and pilferable). Rationale: Adjustments to controlled items are major adjustments.	Concur.
N	1u			Currently reads No. of reversals without separate recording of gain or loss reversals.	Concur.
N	1Y		I2b(8)(b) pg 7-23	Record value of Item Inventoried. Should this value include gains if zero on hand?	Withdrawn.
DLSO			I2b(8)(c) 1a	Line 2, add... "reversals (current and prior quarter)... "	Concur.
			pg 7-24	Rationale: The monetary value of inventory adjustments (gains and losses) are reduced by the monetary value of inventory adjustments (gains and losses) for both current and prior quarters.	Concur.
			I2b(8)(c) 1b	Line 2, add ... "less the monetary value of loss reversals (current and prior quarter) processed during the"...	Concur.

ITEM NR.	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT / RATIONALE	DISCUSSION / DISPOSITION
	N		I2b(8)(c) 2 Pg 7-24	If the storage site reports the losses/gains, how will this be recorded/tracked?	Withdrawn.
	N	1 X	I2b(8)(c) 5 a	Since the ICE Report requires thee annotations of reversals for physical inventory gains and losses that were reported in previous quarters, the heading for this paragraph should read "Reversals – Prior Quarters" vs Quarter.	Concur.
	N	1 Y	I2b(10)(a)	Add $((B)(c)7/(8)(a)X100$ equation at end of sentence.	Concur.
	N	1 Z	I2b(10)(b)	Change computation to read: $((8)(c)7/(8)(b)X100.$	Concur.
	DLSO		I2b(11)(b)	Line 2, delete ... "sample"... Rationale: To avoid confusion.	Concur.
49.	A	2b(3)	Figure 7-1 Pg 7-29	NOTE 1 should begin with "Preadjustment."	Withdrawn.

ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT RATIONALE	DISCUSSION DISPOSITION
50.	DLSO		Appendix AB pg A8-1	ICE Report PART I. 3a,b and c..."""X" out Inter-Service Column (Quarter and FY... To Date)."	Concur.
51.	A	2b(33)	Appendix AB pg A8-4	Nonconcur. This data is too detailed to be forwarded to DOD for management.	Withdrawn. Example is in text to test Component program.
52.	DLA		Att 8 pg B3-2	Request a separate Type of Physical Inventory/Transaction History Code to identify automatic adjustments from the reconciliation process (separate from "J").	Concur. Type of Physical Inventory/Transaction History Code "A" will be assigned to automatic location reconciliation adjustments. and code "B" to other than automatic location reconciliation adjustments.
53.	DLA		Appendix C-4	Revise the D8_/D9_ format to permit entry of the Type of Physical Inventory/Transaction History Code to advise ICP of the Type of adjustment.	Concur. Type of Physical Inventory/Transaction History Codes will be entered in Record Position 7.
54.	N	G2		Elimination of the DKA cannot be supported by Navy for controlling ammunition transactions. We have a need for a similar transaction capability.	To be discussed at the June 1989 JOCMSSG meeting.

ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE	COMMENT RATIONALE	DISCUSSION DISPOSITION
55.	N	G3		- Conceivably some items in storage may not be inventoried for several years regardless of the inventory technique selected. Consideration should be given to establishing a category of inventory to include items having a date of last inventory that is a certain number (to be determined by the JPWIG) of years old. This category of inventory should be accomplished annually.	Withdrawn.
56.	N	G4		PMCL 114A does not provide any special procedures for Prepositioned War Reserve Stock (PWRS) inventories. If the same stock number applies to a PWRS asset and to a wholesale or to a retail asset, any gains or losses should be processed against the wholesale or retail asset, if possible.	Withdrawn.

ITEM NBR	CMPNT	CMPNT ITEM	TEXT REF PAGE
57.	N		B5a(3)

COMMENT

RATIONALE

DISCUSSION

DISPOSITION

Chapter 7

B.5.a.(3). To obtain a statistically valid overall inventory performance figure for each Service/Agency, the following elements from each individual component sample inventory must be statistically combined:
    a. Sample size
    b. Population
    c. Actual estimated accuracy'
    d. Maximum error tolerated (bound) (4%)
    e. Confidence level (95%)

A user-friendly PASCAL program that will statistically combine the above elements is available. It can be implemented either on a personal computer's hard disk drive or floppy disk drive. The logic for developing a similar program is provided below. The formulae were obtained from R.L. Schaeffer's "Elementary Survey Sampling".

Formula for determining the overall estimated accuracy:

$$p = \frac{1}{N} \sum_{i=1}^{k} (N_i a_i)$$

where:
    p = Overall estimated accuracy
    N = Overall population
    N_i = Substratum population
    a_i = Substratum estimated accuracy
    k = Number of substrata

Formula for determining the variance of the overall estimated accuracy:

$$V(p) = \frac{1}{N^2} \sum_{i=1}^{k} (N_i^2 (b_i/t)^2)$$

where:
    N = Overall population
    N_i = Substratum population
    b_i = Substratum bound on error of estimated accuracy
    k = Number of substrata
    t = Confidence level

Formula for determining the error bound on the overall estimated accuracy:

$$B = t\sqrt{V(p)}$$

where:
    t = Confidence level
    V(p) = Estimated accuracy variance

DLSO will work with Navy to finalize the random statistical sample requirements, i.e., dollar accuracy, unit accuracy, and a statistical sample combine program.

Attachment 1, Page 1

Item No.

4. Disposition: The MILSTRAP Administrator recognizes that GSA would have a problem if it accepted D8/D9 inventory adjustment transactions; however, if GSA programmatically screened the D8/D9 transaction by validating the routing identifier, GSA would be no worse off than it is today in screening the DKA Physical inventory Count transaction from unauthorized DoD sources. Additionally, if the PMCL is approved, and DoD stores GSA wholesale assets, GSA will be required to accept D8/D9 transaction and participate in the location reconciliation program.