



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

IN REPLY  
REFER TO DLMSO

June 2, 2009

MEMORANDUM FOR JOINT PHYSICAL INVENTORY WORKING GROUP

SUBJECT: Joint Physical Inventory Working Group (JPIWG) Meeting, March 25, 2009

The attached minutes of subject meeting are forwarded for your information and action, as appropriate. The Defense Logistics Management Standards Office (DLMSO) point of contact is Ms. Mary Jane Johnson, JPIWG Chair, 703-767-0677; DSN 427-0677; or, e-mail: [Mary.Jane.Johnson@dla.mil](mailto:Mary.Jane.Johnson@dla.mil).

A handwritten signature in black ink, appearing to read "Donald C. Pipp".

DONALD C. PIPP  
Director  
Defense Logistics Management  
Standards Office

Attachment

cc:  
DUSD(L&MR)SCI  
Meeting Attendees



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June 2, 2009

MEMORANDUM FOR RECORD

SUBJECT: Joint Physical Inventory Working Group (JPIWG) Meeting, March 25, 2009

**Purpose:** The Defense Logistics Management Standards Office (DLMSO) convened a JPIWG meeting, March 25, 2009, at the Andrew T. McNamara Headquarters Complex, Fort Belvoir, Virginia. The agenda is at Enclosure 1. Meeting handouts and briefing materials are available as hyperlinks to the JPIWG agenda posted on the JPIWG web page at: <http://www.dla.mil/j-6/dlms0/Programs/Committees/JPIWG/JPIWG.asp>. The list of attendees is also available at the JPIWG web page.

**Brief Summary of Discussion:** Ms. Mary Jane Johnson, JPIWG Chair, facilitated discussion:

**a. ITEM UNIQUE IDENTIFICATION (IUID) LOGISTICS POLICY AND BUSINESS RULES.**

1) Ms. Kathy Smith, DUSD(L&MR)SCI, provided the group an overview of the OSD initiative being conducted in conjunction with the DOD Components, for synchronization of business processes/requirements and system updates for tracking and managing Controlled Items by IUID unique item identifier (UII) in the DOD Supply process. The focus for JPIWG was the requirements for inventory of controlled items by UII, to include new requirements for distribution depot (DD) to inventory nuclear weapons related materiel (NWRM) by UII semi-annually, and emerging policy which may require the DD to inventory other controlled items by UII annually.

- Emerging Policy on UID in the Supply Chain (DoD 4140.1-R) addresses IUID requirements for:
  - Classified & Sensitive Items (Items with Classified and Sensitive Controlled Inventory Item Codes (CIIC))
    - Small Arms, Conventional Weapons – included under Classified and Sensitive CIIC
    - Nuclear Weapon-Related Materiel (NWRM) - included under Classified and Sensitive CIIC
  - *Serially Managed* Critical Safety Items (regardless of CIIC)
  - Above hereafter collectively referred to as “Controlled Items”
- Baseline Assumptions include:
  - DLMS compliance

Attachment

- Current Serially-Managed Items will be migrated to use the IUID UII
- WAWF deployment at all required sites for new procurement

2) DUSD(L&MR)SCI has conducted four logistics IUID workshops with the Components to date (strategy kickoff meeting (Feb 24), receipt (Mar 18), issue (Mar 19) and inventory by UII (Mar 24)). Additional workshops are anticipated to discuss topics such as a FLIS code to identify IUID items and management requirements, discrepancy processing for IUID, and transition.

3) DUSD(L&MR)SCI will publish policy for logistics IUID in the supply chain. SCI anticipates releasing a draft policy memorandum near-term for review by the Components, with the subsequent release of the draft reissue of DOD 4140.1-R for review and comment. In accordance with revised publication requirements established by Washington Headquarters Services (WHS), DOD 4140.1-R will be reissued as a DOD manual with multiple volumes.

4) Proposed DLMS changes (PDCs) for logistics IUID business rule will be developed based on the upcoming policy and the requirements discussed at the IUID workshops. The group agreed that the JPIWG is the logical group to develop the PDC for the IUID inventory function.

**ACTION:** **JPIWG Chair** will schedule a separate JPIWG meeting to discuss requirements and develop a PDC for changes to the DOD 4000.25-M, Defense Logistics Management System (DLMS), Volume 2 (Supply), Chapter 6, Physical Inventory procedures, to accommodate OSD policy for inventory by UII.

**b. US AIR FORCE (AF) - INVENTORY OF CLASSIFIED ITEMS.** Ms. Merry Wermund, USAF, presented an AF “Point Paper on Inventory of Classified Items.” The paper focused on new AF policy that requires 100% of classified items are subject to complete physical inventories on a quarterly basis. This change was necessary to include the inventory of NWRM quarterly. The paper also stated that AF will request HQ DDC to perform these inventories in accordance with the new AF policy. To accommodate inventories based on the owning Service requirements, the AF recommended that the Defense Logistics Agency (DLA) change its policy to allow for an increase in the frequency of inventories. This recommendation is based on MILSTRAP procedures that do not allow for a change in the frequency of inventories. The AF also requested that DLA provide an estimate of the cost of performing quarterly 100% inventories and a change to MILSTRAP procedures to allow owner requested changes in the frequency of inventories.

**DISCUSSION:** The USD AT&L Memorandum, Oct 16, 2008, Subject: Nuclear Weapons-Related Materiel (NWRM), requires inventory by 100% physical count by UII of NWRM at least semi-annually. Emerging OSD policy as discussed at the IUID workshops would require that for the controlled items discussed in Topic a) above:

- DD shall do a 100% **semi-annual** physical count of **NWRM** by UII

- DD shall do a 100% **annual** physical count of **controlled items other than NWRM** by UII
- Unit level shall do a 100% monthly physical count by UII.
- Installation (post, camp, base, station) level shall do a 100% semiannual physical count by UII

Based on the new DOD policy to inventory NWRM items by UII semi-annually, and emerging policy addressing inventory of other ‘controlled’ items by UII annually, discussion centered on the resource and operational impact on the DD of conducting these inventories quarterly as USAF proposed, and the associated costs. The DLA representatives opposed the USAF proposal, and stated they would like to conduct business in a standard way for all Services IAW OSD policy, rather than process requirements uniquely for each Service in a manner different from OSD policy. Discussion indicated that the cost of the additional inventory requirement, should it be approved, would be born by the requesting DOD Component. Discussions also revealed that even with the Service bearing the cost, this approach may not be feasible for the distribution depot.

#### **ACTIONS:**

- **DLA DDC** will provide statistics to include the percent of population of NWRM and other classified and sensitive items in custody of the DLA DD, to include dollar values.
- **USAF**. To pursue this recommendation, USAF would need to submit a PDC to DLMSO for staffing with OSD and the Components, to revise DOD 4000.25-2-M, DLMS, Volume 2, chapter 6, inventory requirements as USAF proposes for controlled items.

**c. NAVY - STATISTICAL SAMPLING AND COTS PRODUCTS.** Ms. Emily Chiboroski, Navy, presented an overview of Navy’s Physical Inventory Program. The Navy chose SAP software to use as their standard for conducting physical inventory. The SAP software functionally differs from the promulgated DOD physical inventory requirements. The SAP differences outlined are no location survey functionality; bin level inventory vice line item inventories; dollar level statistical inventories vice line item inventories; inventories based on item characteristic e.g., CIIC, UII, etc. will require customizing SAP. Customization of SAP is also required to comply with the DOD General Supplies Record Accuracy Goals by inventory categories. **DISCUSSION:** In general, it was the consensus of the JPIWG membership that SAP is geared towards conducting inventory by dollar value accuracy vice line item accuracy, and would not meet the DOD requirement. Navy must assure that DOD inventory requirements are satisfied in their modernized system. **ACTON:** No action identified.

**d. USAF – INVENTORY ADJUSTMENT PROCESS.** Ms. Merry Wermund, USAF, presented a “Point Paper On Inventory Adjustment Process.” The AF paper focused on the need to revisit the current policy of pre and post inventory adjustment research and causative research processes and the validity of processing an adjustment prior to performing

causative research. Currently the amount of adjustments and reversals causes the accountable and owner records to be out of balance for extended periods of time and may cause instances of over and under replenishment. After an analysis of the FY07, FY08 ICE Reports and three quarters reported by the three Air Logistics Centers, USAF concluded that the majority of adjustments were reversed. **DISCUSSION:** The analysis, conclusion and recommendations were discussed and generally concluded that the ratio of reversals to adjustments was significant. It was also noted that there are PROS and CONS to any approach, including that proposed by AF. USAF indicated that the primary objective of their recommended changes is to reduce the amount of unnecessary replenishments. The AF point paper contained specific recommendations for revising the MILSTRAP, Chapter 7 procedures. **ACTION:** To pursue this topic, USAF would need to submit a PDC to DLMSO to revise MILSTRAP/DLMS procedures, for vetting with the Components.

**e. PDC 341. PROPOSED CHANGES TO DLMS AND MILSTRAP TO ADDRESS OWNERS/MANAGER RESEARCH OF D8B/D9B INVENTORY ADJUSTMENTS (ACCOUNTING ERROR).** PDC 341 addressed DOD Inspector General (IG) Report D-2008-090, Controls Over Reconciling Army Working Capital Fund Inventory Records, recommendations for MILSTRAP. The report contained recommendations for establishing requirements for owners/managers to research accounting inventory adjustments (MILSTRAP D8B/D9B(DLMS 947I)). PDC 341 had only been out for staffing for 2 weeks, and Components had not had adequate time to review and comment. At the meeting, Ms. Johnson extended the response time to May 1,2009. **SUBSEQUENT TO THE MEETING:** Numerous comments were received to PDC 341 and Ms. Johnson announced that PDC 341 would be restaffed as PDC 341A for JPIWG and Supply Process Review Committee (SPRC) review

**f. GENERAL SERVICES ADMINISTRATION (GSA)-OWNED ASSETS AT DOD STORAGE ACTIVITIES.** Mr. Chuck Garvey, GSA, addressed assets which were logistically reassigned to GSA in the 1980s, and which GSA left in storage at DOD storage facilities. In advance of the meeting, GSA provided a spreadsheet of these logistically reassigned GSA-owned assets which GSA believed to be in storage at DOD depots. DLA distribution depot personnel reviewed the spreadsheet and found only one of the NSNs was in DLA storage. Discussion centered around the need for more specific information regarding the process used to reassign the assets to GSA, and the related transactions. This issue was not resolved at this meeting. If GSA would like to pursue this further, it would be a candidate for discussion at the next Supply PRC meeting.

**g. PDC 299, REVISE DOD INVENTORY CONTROL EFFECTIVENESS (ICE) REPORT.** DLA has proposed the ICE Report as identified in DOD 4000.25-M, DLMS, Volume 2, Chapter 6, and DOD 4000.25-2-M Chapter 7, Appendix A6 (DD Form 2338-2, Sep 2000) be revised to enhance data analysis and Inter/Intra Service reporting. Currently the ICE Report is used by the DLA and the Defense Distribution Center (DDC) as a management tool to measure the performance of the distribution operations. The revised ICE is divided into two parts. Part I contains the data related to the Components and Part II is reserved for Component internal use. The PDC also revises the definition for Type Physical Inventory/Transaction History Codes (TPIC) C and added new code Z to provide unique codes for storage activity

processes. DLMSO received numerous comments to PDC 299 which the JPIWG chair shared with the group in advance of the meeting. **DISCUSSION:** The proposed revised report generate much comment and several notable issues/concerns were discussed at the meeting including a lack of understanding of the “Book-to-Book” adjustment on the revised ICE Report. **ACTION:** DLA agreed to revise the PDC taking JPIWG concerns into consideration. **SUBSEQUENT TO THE MEETING:** DLA provided the chair with a revised PDC based on the discussions at the meeting and comments received. DLMSO will restaff as PDC 299A for JPIWG and SPRC review.

**h. DLA TOPIC - EVALUATE REQUIREMENT FOR MILSTRAP DZB/DLMS 888I (STORAGE ITEM DATA CORRECTION/CHANGE).** (Carryover topic from past JPIWG meetings) This is an open issue not discussed in detail at this meeting, but included in minutes to retain visibility: DLA is proposing the services go directly to the Federal Logistics Information System (FLIS) to correct storage activity records for FLIS data rather than use Document Identifier Code DZB which was developed in the 1970s for an ICP to update specific data at the storage activity. Only the following FLIS data could be updated by DZB/888I: stock/part number, unit of issue, shelf-life code, controlled inventory item code, and demilitarization code. The services generally agreed with the concept at a prior JPIWG meeting, however, they noted that this would not be a viable solution for locally assigned numbers at the storage activity for which there are no FLIS records. **ACTION:** DLA develop PDC to pursue this proposal.

**i. DLMS MANUAL REISSUE AND COMBINING DLSS/DLMS MANUALS**

**1) DLMS Manual Reissue - Status Update:** DLMSO continues to work with DUSD(L&MR)SCI and Washington Headquarters Service (WHS) to get relief from the new stylized manner which WHS mandates DOD manuals be displayed. SCI is looking to revise DOD Instruction (DODI) 4140.1 to authorize the DLMS and DLSS (e.g., MILSTRAP, MILSTRAP, etc) manuals as Defense Logistics Manuals (DLMs) rather than DOD Manuals. This will allow the manuals to be published in a format similar to what is used today. The DLMs would be DOD level publications authorized by the DODI. Pending resolution of this issue, publication of ADCs in the DLMS and DLSS manuals has been on hold for some time.

**2) Combining DLSS/DLMS Manuals – Status Update:** Ms. Johnson, as the DOD MILSTRAP Administrator, is working to combine the MILSTRAP manual with the DLMS manual. The current process of maintaining two sets of publications which contain essentially the same information, for different transaction formats, is extremely resource intensive and duplicative in nature. A sample combined chapter for DLMS, Volume 2, Chapter 6, DOD Physical Inventory Procedures, was provided to the group for review.

**ACTION:** SCI and DLMSO action described is on-going.


**j. USAF - MISCELLANEOUS ITEMS FROM IUID INVENTORY WORKSHOP.** During the March 24, 2009, IUID workshop on Inventory by UII which preceded the JPIWG meeting, USAF raised some issue to include, but not limited to, USAF concerns over the Causative Research definition/requirements reflected in the


**j. USAF - MISCELLANEOUS ITEMS FROM IUID INVENTORY WORKSHOP.** During the March 24, 2009, IUID workshop on Inventory by UII which preceded the JPIWG meeting, USAF raised some issue to include, but not limited to, USAF concerns over the Causative Research definition/requirements reflected in the DLMS/MILSTRAP manuals and request for inventory at contractor maintenance facility (is it done? how-MILS/DLMS transactions?). USAF moved that these topics could be addressed at the follow-on JPIWG meeting, focused on development of a PDC for business rules associated with logistics IUID inventory requirements for controlled items.

**k. NEXT MEETING:** Ms. Johnson thanked all the participants for their attendance, continued support, and contributions to the JPIWG. The DLA representative, Mr. Terry Simpson, offered to host a JPIWG meeting at a Distribution Depot site where the group could tour the depot. The group was very receptive to this offer and will plan for such a meeting. The date of the next meeting to address IUID inventory requirements/procedures will be established at a future date.

PREPARED BY:

APPROVED:

  
MARY JANE JOHNSON  
DOD JPIWG Chair

  
DONALD C. PIPP  
Director,  
Defense Logistics Management  
Standards Office

Enclosure

**JOINT PHYSICAL INVENTORY WORKING GROUP (JPIWG) MEETING  
MARCH 25, 2009  
AGENDA**

McNamara Headquarters Complex, Conference Room 3801, STARTING AT 1000 HOURS EST  
8725 John J Kingman Rd, FT Belvoir, VA 22060-6217

#	TOPIC	LEAD
	<b>Opening Remarks</b>	<b>DLMSO</b> <b>Ms. Mary Jane Johnson</b> <b>JPIWG Chair</b>
<b>1</b>	<b>Item Unique Identification (IUID) Logistics Policy and Business Rules Development for Controlled Items and NWRM.</b>  <b>USD AT&amp;L Memorandum, October 16, 2008, subject: Nuclear Weapons-Related Materiel (NWRM)</b>  Discuss logistics IUID policy, IUID requirements, business rules development, and outcome of IUID workshop on "inventory by UII".	<b>DUSD(L&amp;MR)SCI</b> <b>Ms. Kathy Smith</b>
<b>2</b>	<b>USAF Topic: Inventory of Classified Items</b>	<b>USAF</b> <b>Ms. Merry Wermund</b>
<b>3</b>	<b>NAVY Topic: Statistical Sampling and COTS products</b>	<b>Navy</b> <b>Ms. Emily Chiboroski</b>
<b>4</b>	<b>USAF Topic: Inventory Adjustment Process</b>	<b>USAF</b> <b>Ms. Merry Wermund</b>
<b>5</b>	<b>PDC 341, Proposed Changes to DLMS and MILSTRAP to Address Owners/Manger Research of Inventory Adjustments (Accounting Error)</b>  Discuss any comments received to PDC 341.	<b>DLMSO</b>
<b>6</b>	<b>GSA-Owned Assets at DOD Storage Activities</b>	<b>GSA</b> <b>Mr. Chuck Garvey</b>
<b>7</b>	<b>Proposed DLMS Change (PDC) 299, Revise the DOD Inventory Control Effectiveness (ICE) Report (General Supplies).</b>  Discuss comments.	<b>JPIWG</b>
<b>8</b>	<b>Evaluate requirement for DZB/888I (Storage Item Data Correction/Change) – Propose the services go directly to FLIS to correct records. (Carryover topic from past JPIWG meetings)</b>	<b>DLA</b> <b>Mr. Terry Simpson</b>



#	TOPIC	LEAD
9	<b>DLMS MANUAL REISSUE – STATUS UPDATE</b> <b>COMBINING DLSS/DLMS MANUALS – Status Update</b> Sample DRAFT COMBINED MILSTRAP/DLMS Physical Inventory Chapter	<b>DLMSO</b>
10	<b>MISCELLANEOUS ITEMS FROM IUID WORKSHOP:</b> <ul style="list-style-type: none"> <li>• <b>USAF concerns over Causative Research definition/ requirement.</b> USAF to provide specific concerns</li> <li>• <b>Request for inventory at contractor maintenance facility? Is it done? How (MILS/DLMS transactions)?</b></li> </ul>	
	<b>Adjourn</b>	<b>5:00 PM EST</b>