

December 22, 2015

MEMORANDUM FOR DOD JOINT PHYSICAL INVENTORY WORKING GROUP

SUBJECT: DOD Joint Physical Inventory Working Group (JPIWG) Meeting, October 28, 2015

The attached minutes of subject meeting are forwarded for information and action, as appropriate. The minutes are available on the DOD JPIWG Committee's Webpage www2.dla.mil/j-6/dlmsso/programs/committees/jpiwg/jpiwg.asp.

The Defense Logistics Management Standards Office (DLMSO) point of contact is Mr. Rafael Gonzalez, DOD JPIWG Chair, 717-770-6817, DSN 771-6817 or email rafael.gonzalez@dla.mil.

DONALD C. PIPP
Director,
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Attachment
As stated

cc:
ODASD(SCI)
DOD JPIWG
Meeting Attendees

MEMORANDUM FOR RECORD

SUBJECT: DOD Joint Physical Inventory Working Group (JPIWG) Meeting, October 28, 2015

Purpose: DLMSO convened a DOD JPIWG meeting, October 28, 2015, 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://www2.dla.mil/j-6/dlms0/programs/committees/jpiwg/jpiwg.asp>

Brief Summary of Discussion: Mr. Rafael Gonzalez, DOD JPIWG Chair, facilitated discussion.

1. **Materiel Accountability Update from September 24, 2015 Government Furnished Property (GFP) Working Group.** Ms. Jan Mulligan, ODASD (SCI), discussed the latest changes to the DODM 4140.01, DoD Supply Chain Materiel Management Procedures, which further define the existing procedures for excess inventory acquired on a Performance Based Logistics Contract (PBL). Assistant Secretary of Defense (Logistics and Materiel Readiness) revised DODM 4140.01, Volume 6, to require contractors managing Government inventory under PBL contracts to:
 - report on a biannual basis to the DOD buying Component inventory requirements that the contractor establishes to achieve the performance required by the contract; existing Government inventory that the contractor manages against those requirements; and existing Government inventory that the contractor holds in excess of those requirements; and
 - submit a written plan for the buying DOD Component's approval that proposes actions for reuse or disposal of excess Government inventory under contractor management.

The proposed policy also recommends the buying DOD Component to be responsible for;

- maintaining inventories of secondary items that are managed by contractors for inventory reporting as described in DODM 4140.01, Volume 10, Enclosure 3, Paragraph 4,
- using biannual inventory information to assess the ability of the government inventory managed by contractors to meet requirements and ensure that inventories are kept only if warranted,
- approving written plans supporting a sustainment contract that proposes actions for the reuse or disposal of government inventory when identified by the contractor, and
- assigning a materiel manager to provide oversight of government inventory that is managed by contract.

There was some concern by the DOD JPIWG members with the proposed DLMS change, that implements OSD policy reflected in both the FAR and the DoDM 4140.02, Volume 9, Enclosure 3, Paragraph 11.b(3). The new policy requires that a unique Department of Defense Activity Address Code (DODAAC) for each Contract/Contractor location. Some Components, particularly the Navy

and Air Force are concerned that they will run out of DODAACs and RICs. Both Components have non-concurred with the PDC that DLMSO staffed to implement the policy. At the current time the non-concurrence issue resolution is being worked by OSD/SCI. From a DLMSO perspective there is little or no flexibility in how the PDC is currently written given the specificity of the policy. While the risk of running out of DODAACs is far less than running out of RICs both limitations are largely Component self-inflicted due to the way they have chosen to assign DODAACs and establish an unnecessary one-to-one relationship between DODAACs and RICs. DLMSO is working this issue with OSD/SCI through the DODAAD Process Review Committee.

Ms. Mulligan, also discussed the current status of this proposed change to DoDM 4140.01 and requested feedback from the JPIWG members once the draft is finalized. The formal coordination was scheduled for October 2015 and the final publication by summer of 2016.

2. PDC 1160, Procedures for Recommending and Authorizing Credit for Validated Supply Discrepancy Reports (SDRs), Associated Reply Code Revisions, and Required use of the Reason for Reversal Code in Issue Reversals (Finance/Supply/SDR) and PDC 1160 Brief.

Ms. Ellen Hilert, DLMSO, briefed PDC 1160. The DLA audit team caused a temporary termination of the (Defense Logistics Management Standards) DLMS 867I Issue Reversal (DIC D7_) as a mechanism to trigger credits when approved by the inventory control point (ICP) via the SDR process. After identifying the operational impact, issue reversal was reinstated contingent upon the correction of the Military Standard Transaction Reporting and Accountability Procedures (MILSTRAP) and SDR documentation. DLMS procedures will be updated to improve visibility and provide a required audit trail. PDC 1160 also clarifies procedures for SDRs used when reporting or requesting a financial adjustment. Both Military Standard Requisitioning and Issue Procedures (MILSTRIP) and Military Standard Billing System (MILSBILLS) procedures are updated to document the proper use of the issue reversal, taking into account each Component's operation scenario. Most importantly, the PDC reiterates the pre-positioned materiel receipt (PMR) requirement to be processed by the ICP for all shipments to ensure all materiel is receipted into proper ownership. The ICP is responsible for the PMR process prior to shipment, even when the distribution center is directing the return.

Ms. Hilert stated that the ICP will authorize credit and redirect the SDR back to the distribution center. The distribution center will provide the SDR reply with disposition instructions advising the submitter to return the materiel. Mr. Tom Moslak, Naval Supply Systems Command (NAVSUP), discussed an exception with the Navy maintenance scenario where they may send materiel to a non-distribution center location. Ms. Hilert agreed to document exception business rules for Navy maintenance to be included in the Approved DLMS Change (ADC). NAVSUP confirmed that the issue reversal is not completed until the materiel is actually returned.

Ms. Hilert explained that the issue reversal code used in the inventory adjustment will trigger the credit process and will require that Distribution Standard System (DSS) completes a second inventory adjustment to reconcile the record.

Ms. Tonja Daniels, DLA, recommended that an error code be linked to the DLMS Implementation Convention (IC) 947I Inventory Adjustment, as a way to associate the issue reversal to the adjustment.

3. PDC 1179, Automatic Disposal Procedures for Materiel Managed under Obsolete DLA Supply Center Routing Identifier Codes GFP Working Group, Property & Equipment Policy Update. Mr. Rafael Gonzalez, DLMSO, briefed the main points of PDC 1179 that propose procedures to support DLA distribution center processing and automatic disposal of materiel returned under obsolete DLA RICs (S9_) regardless of Supply Condition Code. This DLMS change modifies the procedures originally approved under ADC 1022 and ADC 1022A.

4. Open Discussion/New Topics

- Mr. Gonzalez solicited feedback from the working group membership on how to better support the warfighter through the Joint Physical Inventory Working Group (JPIWG).
- Ms. Mary Verman, USAF recommended that JPIWG meet more frequently to address and discuss Financial Improvement and Audit Readiness (FIAR) issues.
- Ms. Hilert recommends semiannual or as needed meetings for flexibility and believes that annually is too long.
- Mr. Gonzalez advised members not to wait for a meeting to bring issues to his attention.

Next JPIWG Meeting. Next meeting proposed for May 2016.

PREPARED BY:

APPROVED:

Rafael Gonzalez
DOD JPIWG Chair

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