



**DEFENSE LOGISTICS AGENCY
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DLA STRATEGIC MATERIALS-MO

MEMORANDUM FOR DLA STRATEGIC MATERIALS DIRECTORS

SUBJECT: Bulk Inventory Verification

The Defense Logistics Agency Strategic Materials (DLA SM) is currently engaged in an agency-wide audit readiness effort, including the validation of its material inventory. DLA SM acquired the services of the Institute for Defense Analyses (IDA) to perform an independent assessment of the effectiveness of SM physical controls over bulk inventories. The purpose was to determine the effectiveness or ineffectiveness of DLA SM's control over bulk stockpiled material and determine whether the gain/loss results were within a generally acceptable range when compared to industry benchmarks. After IDA's independent assessment, management concluded that the weighing of all NDS bulk material stockpiles was impractical, costly and sub-optimal.

This IDA survey, titled Zero Balance Analysis, assessed historical inventory adjustment records in addition to supporting documents in order to analyze the cumulative variances of actual to expected gain/ loss of materials. The results of the attached survey shows that DLA SM records' average percent error by weight was -0.67%. On an absolute value basis, the average error was 3.75%. Based on IDA's analysis and findings, management concludes that DLA SM's control processes result in a low overall error rate and provide reasonable assurance in the accuracy of bulk material inventories.

This memorandum serves as the final determination that DLA SM's inventory is accurate and within industry standards for bulk materials, and confirms the validity of current processes and procedures for bulk inventory accountability.

The point of contact for this memorandum is Mr. Charles Harder, (703) 767-1163, DSN 427-1163, or email: charles.harder@dla.mil.

A handwritten signature in cursive script, reading "Ronnie Favors", is positioned above the typed name.

RONNIE FAVORS
Administrator,
DLA Strategic Material

Attachment
Zero Balance Analysis