

NAVSUP P-723 - Navy Inventory Integrity Procedures

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NAVSUP Publication 723

NAVY INVENTORY INTEGRITY PROCEDURES



NAVAL SUPPLY SYSTEMS COMMAND

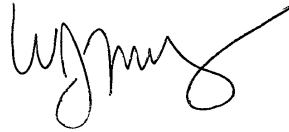
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NAVSUP P-723 - Navy Inventory Integrity Procedures

NAVY DEPARTMENT
NAVAL SUPPLY SYSTEMS COMMAND
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These instructions are for the information and guidance of the Navy Shore Activities that own/manage and store Navy material. Chapter 9 of this manual and the NAVSEA Shipyard Material Policies document provide special requirements for Naval Shipyards.

This publication supersedes NAVSUPINST 4440.115G, NAVSUPINST 4440.132A, NAVSUPINST 4440.177, NAVSUPINST 4440.179A, NAVSUPINST 4440.184, NAVSUPINST 4443.9 and NAVSEAINST 4440.25 and all changes thereto.



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NAVSUP P-723 - Navy Inventory Integrity Procedures

RECORD OF CHANGE INFORMATION SHEET

This sheet is provided to ensure your issue of NAVSUP P-723 is current. After inserting the change, enter the required information in the appropriate columns.

Change		Date Change		Signature
Number	Date	Received	Made	
Initial Issue	19 April 2000			

NAVSUP P-723 - Navy Inventory Integrity Procedures
INTRODUCTION
to
NAVY INVENTORY INTEGRITY PROCEDURES

PURPOSE

Navy Inventory Integrity Procedures provide policy, procedure, and performance objectives for maintaining controls over material inventories at Navy shore activities and the accuracy of associated inventory item and financial records. The impact of inventory accuracy covers a broad spectrum ranging from readiness to DOD budget credibility. Whenever material on an accountable record cannot be found, readiness is impacted. If the accountable record is overstated, nonexistent assets are applied to requirements. The opportunity for undetected theft is also increased when accountable records do not agree with material in storage. This publication reflects recommendations and changes to streamline and simplify the physical inventory process to better employ physical inventory resources in maintaining higher levels of inventory accuracy.

The policies and procedures spelled out in this publication have been updated to encompass the most current business practices in operation within the Navy. This publication takes into consideration the partnering concept between the Fleet and Industrial Supply Centers (FISCs) and other Navy shore activities; the impacts of implementing the Distribution Standard System (DSS) at Distribution Depots (DDs) collocated at the FISCs as well as some partner sites; changes to DOD inventory policies and procedures; and changes in Navy policy and procedures for tracking stock in transit.

This publication cancels the following instructions:

- a. NAVSUPINST 4440.115G, Physical Inventory Program
- b. NAVSUPINST 4440.132A, Inventory Accuracy Officer Program
- c. NAVSUPINST 4440.177, Inventory Accuracy Officer – Inventory Control Points
- d. NAVSUPINST 4440.179A, Reports of Discrepancy
- e. NAVSUPINST 4440.184, Process Quality Control Program for Stock Point Operations
- f. NAVSUPINST 4443.9, Unreconciled Balance (URB) Resolution, Adjustment and Reporting Policy
- g. NAVSEAINST 4440.25, Physical Inventory Program for Industrially Funded Assets and Sponsor-Owned Material at Naval Shipyards

Significant changes to policies and procedures as spelled out in this Publication include:

- a. Revised reporting requirements for missing, lost, stolen, and recoverable items.
- b. Replacement of STATLOC with RTIC for performing location surveys.
- c. Unreconciled balance (URB) research and resolution between DSS and UADPS.

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- d. Regional Inventory Accuracy Officer responsibilities.
- e. Incorporation of revised DOD policy on MILSTRAP.
- f. Incorporation of partner site concept and impacts from DSS implementations.
- g. Physical inventory policies and procedures for shipyards.

NAVSUP is currently re-engineering systems and procedures to provide better visibility and accountability of in-transit material. The re-engineered system and process will include automated checks and alerts to reduce file disconnects, enabling the Navy to focus on true inventory losses. Discussions pertaining to other future systems designs and processes such as; Single National Inventory concept, R Supply, UADPS, and UICP, are in process and will be reflected in subsequent updates to this publication.

SCOPE

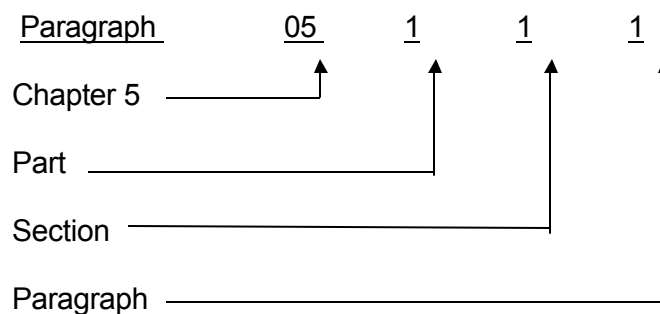
The scope of this publication encompasses all Navy shore activities within the NAVSUP claimancy, as well as the Naval Shipyards under the cognizance of NAVSEA. This publication provides policies and procedures for physical inventory requirements, location audits, URB requirements, Inventory Accuracy Officer responsibilities, Supply Discrepancy Reports (to include SIT SDRs), quality control checks, special reporting requirements and NAVSEA special requirements. All these areas have a significant impact on inventory integrity. This publication is designed to provide sufficient guidance in maintaining a high level of inventory accuracy at the storage activities as well as NAVICP.

AUTHORIZATION

The Commanders of the Naval Supply Systems Command (NAVSUP) and Naval Sea Systems Command (NAVSEA) may authorize, in writing, deviations from the instructions contained in this publication, provided the matter concerned is entirely under the cognizance of NAVSUP or NAVSEA.

PARAGRAPH NUMBERING SYSTEM

The five digit paragraph number and its subparagraph designations may be broken down as follows:



NAVSUP P-723 - Navy Inventory Integrity Procedures

PAGE IDENTIFICATION

PAGE NUMBERS

The pages of this publication are numbered in a separate series for each chapter and appendix. The pages of a chapter are numbered in sequence with Arabic numerals from 1. Each page number is preceded by the number of the chapter. For example, the fifteenth page of Chapter 1 is numbered 1-15. The appendices are numbered in sequence with Arabic numbers preceded by the letter of the appendix.

RUNNING HEADS

To facilitate finding paragraphs in this publication, each page is identified with a running head. The number in the upper left corner of the left page indicates the number of the first paragraph on that page. The number in the upper right corner of the right page indicates the last paragraph on that page.

TABLE OF CONTENTS

The organization of this publication makes it possible to locate desired information easily by referring to the table of contents in the front of the publication to determine general location, and to the table of contents at the beginning of each chapter for the specific location.

NAVSUP P-723 - Navy Inventory Integrity Procedures
RECOMMENDATIONS FOR IMPROVEMENT TO NAVSUP P-723

All users of the Navy Inventory Integrity Procedures (NAVSUP P-723) are encouraged to submit recommended changes for improving the publication to the Commander, Naval Supply Systems Command, via the appropriate chain of command. The following format, modified as necessary, may be used in submitting recommendations:

From: (Command or person originating recommendation)
To: Commander, Naval Supply Systems Command
Via: (Appropriate chain of command)

Subj.: Improvement of NAVSUP P-723, recommendation for

1. The following recommendation for improvement of the NAVSUP P-723, pertaining to paragraph(s) _____ is submitted.

(Signature)

Copy to:
(Recommendations originated Ashore, send copies to the appropriate service force commander)
(Recommendations submitted concerning procedures of inventory management, submit copy to the Inventory Control Point, which will forward comment, if appropriate, to the Naval Supply Systems Command within 15 days).

FIRST ENDORSEMENT on

From: (Appropriate via addressee)
To: Commander, Naval Supply Systems Command

1. Forwarded for consideration.
2. (Comment or recommendation, as desired)

(Signature)

Copy to:
(As appropriate)

NAVSUP P-723 - Navy Inventory Integrity Procedures GENERAL INFORMATION

The Navy Inventory Integrity Procedures (NAVSUP P-723) is written and maintained by the Naval Supply Systems Command, Mechanicsburg (Code 4B1H). While not to be misinterpreted as a bypass to the formal means of recommending changes, the writer of P-723 welcomes inquiries/recommendations from activities towards improvement of the publication or clarification of data therein. The writer can be reached at DSN 430-7513, commercial (717) 605-7513, or fax DSN 430-7045.

Distribution of the Navy Inventory Integrity Procedures (NAVSUP P-723) is controlled by the Defense Printing Service Detachment Office (Code 0513).

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NAVSUP P-723 ON THE INTERNET

The Navy Inventory Integrity Procedures are available on the Internet. The P-723 may be accessed through the Naval Logistics Library on the NAVSUP Home Page (<http://www.navsup.navy.mil>). The P-723 may be viewed, downloaded or printed using the Adobe Acrobat Reader Software (a free copy of this software may also be downloaded).

PUBLICATION STOCKING

Additional copies of this publication may be obtained from the Naval Inventory Control Point (NAVICP), Philadelphia, PA 19111-5098. The stock number is as follows:

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CHAPTER 1

ORGANIZATION AND ADMINISTRATION

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01111 SECRETARY OF THE NAVY

1. The Secretary of the Navy provides overall guidance and direction for the U.S. Navy. Under the direction, authority, and control of the Secretary of Defense, he is responsible for the policies and the control of the Department of the Navy (DON), including its organization, administration, operation, and efficiency.

01112 CHIEF OF NAVAL OPERATIONS

1. The Chief of Naval Operations (CNO) outlines the overall requirements for naval material and equipment. The CNO also develops general policy guidelines for supply support of U.S. Navy customers.

01113 SYSTEMS COMMANDS

1. The Navy's five systems commands (SYSCOMs) report directly to the Chief of Naval Operations. The five systems commands are:

- Naval Sea Systems Command (NAVSEA)
- Naval Supply Systems Command (NAVSUP)
- Naval Air Systems Command (NAVAIR)
- Naval Facilities Engineering Command (NAVFAC)
- Space and Naval Warfare Systems Command (SPAWAR)

2. Although there are five SYSCOMs within DON, the scope of this publication is limited to those Navy shore activities that are within NAVSUP and NAVSEA claimancies.

Section II: KEY ORGANIZATIONS

01121 NAVAL SEA SYSTEMS COMMAND

1. NAVSEA is the largest of the five SYSCOMs and the largest Navy claimant. NAVSEA is the DON's central activity for designing, engineering, integrating, building and procuring U.S. Naval ships and shipboard weapons and combat systems. NAVSEA's responsibilities also include the maintenance, repair, modernization and conversion of in-service ships and their weapons and combat systems. Additionally, it provides technical, industrial and logistics support for naval ships, and ensures the proper design and development of the total ship, including contractor-furnished shipboard systems.

2. NAVSEA has 36 subordinate shore activities and more than 200 detachments and on-site offices. These organizations are located throughout the United States and a small number positioned overseas.

01122 NAVAL SUPPLY SYSTEMS COMMAND

1. NAVSUP has primary responsibility for providing supply support to the U.S. Navy forces worldwide. The Command meets this responsibility by performing a variety of logistic services including supply operations, contracting, resale, information systems, fuel, transportation, support services, security assistance and mobile fleet hospital support. NAVSUP sets the policies, prescribes the procedures and evaluates performance in each of these areas.

2. NAVSUP's most important responsibility is the worldwide, integrated Navy Supply System. The Naval Inventory Control Point (NAVICP), headquartered in Philadelphia, PA, and consisting of two sites (Mechanicsburg, PA and Philadelphia, PA), along with six Fleet and Industrial Supply Centers (FISCs), are the major activities in this system.

01123 NAVAL INVENTORY CONTROL POINT

1. NAVICP located in Mechanicsburg, PA and Philadelphia, PA is responsible for managing the Navy's inventory while maintaining a proper balance between requirements and assets in order to provide effective and efficient support to the fleet and Navy shore activities. NAVICP is also responsible for ensuring a high degree of inventory integrity in order to provide the best and most cost effective support to the fleet. NAVICP exercises centralized control over 400,000 different line items of repair parts, components and assemblies that keep ships, aircraft and weapons operating.

01124 FLEET AND INDUSTRIAL SUPPLY CENTERS

1. FISCs provide a variety of logistics supply support services and products to Navy and other military customers. FISCs are echelon 3 commands and report to the NAVSUP. In managing consumer and end-use material, FISCs are responsible for determining inventory levels, procuring material, providing status to customers, and maintaining stock records for all material in stock at the co-located DD and FISC partner sites. FISCs may also be responsible for stock replenishment, inventory accuracy, and procurement actions for their partner sites.

01125 PARTNER SITES

1. A partner site is a Navy shore activity that has entered into a partnership with a FISC to form a regional business operation. This regional business concept has streamlined many functions and operations and has produced significant cost savings Navy-wide. Most partner sites currently use the Uniform Automated Data Processing System (UADPS) which passes transactions to the Uniform Inventory Control Point (UICP) data base for inventory and financial reporting. Each partner site has its own set of Master Stock Item Record (MSIR) records that are identified by the "site code" within UADPS.

01126 FLEET MATERIAL SUPPORT OFFICE (FMSO)

1. FMSO is the Central Design Agency (CDA) responsible for developing, maintaining and updating various automated systems (i.e., UADPS and UICP) as required by NAVSUP. FMSO also provides documentation and training for system implementations.

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01127

Organization and Administration

01127 DEFENSE LOGISTICS AGENCY (DLA) INVENTORY CONTROL POINTS (ICPs)

1. There are currently four DLA ICPs that manage a myriad of different commodities. They are:
 - a. Defense Supply Center Columbus - procures and manages construction and electronic related material.
 - b. Defense Supply Center Richmond - procures and manages general type commodities such as gases and cylinders, chemicals, industrial plant equipment, and measuring instruments.
 - c. Defense Supply Center Philadelphia - procures and manages industrial, medical, subsistence, and textile materials.
 - d. Defense Energy Support Center - procures and manages fuels and lubricants.

01128 DEFENSE DISTRIBUTION CENTER

1. The Defense Distribution Center (DDC) is the primary field activity of DLA. The DDC has Distribution Depots (DDs) which are co-located at each Navy FISC and some partner sites. DDs are responsible for receiving, storing, and shipping commodities owned by DOD to all branches of the armed forces, as well as to other agencies of the federal government.

01129 DEFENSE LOGISTICS SERVICE CENTER

1. The Defense Logistics Service Center (DLSC) manages the Federal Supply Catalog System, which lists a National Stock Number and description for over six million items. This catalog system (Defense Logistics Information System) is used throughout the federal government.

Part B: ADMINISTRATION

Section I: INTRODUCTION

01211 GENERAL DISCUSSION

1. The policies and procedures outlined in this publication are updated to include the latest possible business rules and operating scenarios. Close attention should be given to this instruction by all warehousing and inventory personnel at the Navy storage activities as well as the inventory accuracy personnel at the Navy Inventory Control Point (NAVICP).

01212 REFERENCES

1. The following instructions/publications are referenced throughout this publication. Please refer to them as needed.

- a. DOD 4000.25-2-M, Change 5, Subj: Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP).
- b. SPCCINST 4440.376L, Subj: Naval Reactor Plant Repair Parts and Materials.
- c. NAVSUPINST 4440.16B, Subj: Level I/SUBSAFE Stock Program
- d. NAVSUPINST 4440.160A, Subj: Management of Authorized Stock Levels for Repairables.
- e. DOD 4140.25-M, Vol V, Subj: Management of Bulk Petroleum Products, Storage, and Distribution Facilities
- f. NAVSUPINST 4440.146B, Subj: Safeguarding of Sensitive and Pilferable Items of Supply.
- g. DOD 5100.76-M, Subj: Physical Security of Sensitive Conventional Arms, Ammunition, and Explosives.
- h. NAVSUPINST 5101.6D, Subj: Procedures for Requisitioning, Storing and Handling of Items Which Contain Radioactive By-product Material.
- i. SECNAVINST 5500.4G, Subj: Reporting of Missing, Lost, Stolen, or Recovered (MLSR) Government Property
- j. ASQC – Z1.4-93, Subj: Procedures, Sampling and Tables for Inspection by Attributes
- k. NAVSUP Pub 485, Subj: Naval Supply Procedures
- l. DLAI 4140.55/SECNAVINST 4355.18A/AFJMAN 23-215, Subj: Reporting of Supply Discrepancies
- m. DOD 4500.9-R, Subj: Defense Transportation Regulation, Part II, Cargo Movement.

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- n. DOD 4140.1-R, Subj: Material Management Regulation
- o. OPNAVINST 4020.25A, Subj: Controlling and Accounting for Ground Fuels
- p. DOD Directive 5010.38, Subj: Management Control (MC) Program.
- q. CNO message, 211534Z Jan 00, Subj: Inter-deployment Training Cycle (IDTC) Workload Reductions.
- r. NAVSUP Pub 541, Subj: Security Assistance Manual
- s. NAVSUP Pub 526, Subj: FMS Customer Supply System Guide
- t. DOD 5105.38-M, Subj: Security Assistance Management Manual
- u. DOD 7000.14-R, Vol 15, Subj: DOD Financial Management Regulation, SA Policy and Procedures.
- v. DOD 4500.9-R, Part II, Subj: Cargo Movement.
- w. NAVSUP Pub 724, Subj: Conventional Ordnance Management Policies and Procedures.
- x. NAVSEA letter 4400 Ser 04X2/169 of 14 September 1998.

Section II: RESPONSIBILITIES

01221 NAVSUP/NAVSEA

1. Ensure compliance of this publication with activities within their respective claimancies. Ensure all reporting requirements within this publication are met.
2. Evaluate suggested systems changes that originate within their respective claimancies. Approve and fund required systems changes in accordance with available resources.
3. Provide further guidance and assistance when required to field activities regarding physical inventory related functions.
4. Perform periodic assessments of field activities to ensure compliance with this publication and to provide recommendations for process improvements.
5. Review and analyze periodic reports to determine problem areas at the field activities. Perform assistance visits as required to resolve process problems at the field activities.
6. Coordinate systemic and procedural problems with other service components as required to reduce impacts to Navy inventory records and financial resources.
7. NAVSUP will attend Joint Physical Inventory Working Group (JPIWG) meetings as the Navy representative for all inventory related matters. Staff proposed policy changes throughout the Navy and provide a consolidated response to DLMSO. Provide updated policy to Navy storage activities in regards to inventory related matters.

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8. NAVSUP will meet annually with inventory representatives from all activities governed by this publication to discuss/resolve inventory issues.
9. Continually review internal operating procedures at storage activities to prevent and eliminate duplication of functions and reporting requirements. Provide recommendations for improvements of policy and procedures.

01222 NAVICP

1. Ensure that all NAVICP requirements of this publication are met within the established timeframes.
2. Ensure all Transaction Item Reporting (TIR) transactions from organic and commercial activities are received and processed. Take appropriate action(s) to resolve systemic and process problems to reduce the number of missing transactions from TIR activities.
3. Report problems and violations to higher headquarters regarding inventory integrity matters. Provide recommended solutions to higher headquarters when the problem cannot be resolved internally.
4. Perform quality control checks in accordance with Chapter 7. Identify problem areas and take appropriate action(s) to correct the problem(s).
5. Perform location reconciliations with all DOD storage activities that store Navy owned/managed material in accordance with Chapter 3.
6. Monitor stock in transit (SIT) and ensure that receipts and issues are processed correctly and posted to appropriate financial accounts. Take appropriate action(s) to reduce SIT write-offs and to maintain a high level of inventory accuracy.
7. Provide program trouble tickets to higher headquarters when systemic problems arise. The program trouble ticket should include a recommendation for corrective action.

01223 FISCs

1. Perform periodic quality control checks in accordance with Chapter 7.
2. Act as a liaison between the NAVICP and the co-located DD to ensure problems impacting inventory accuracy are resolved and/or reported to higher headquarters.
3. Update partnership agreements as required to ensure all inventory related functions and responsibilities are identified and defined.
4. Identify and submit appropriate systems change requirements to FMSO.
5. Ensure compliance of this publication at FISC and partner sites. Provide guidance and assistance to partner sites as required.
6. Ensure the Regional Inventory Accuracy Officer (RIAO) at the FISC performs the duties and responsibilities stated in Chapter 5.

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7. Assist the NAVICP in resolving SIT and SIT SDRs with the co-located DD and partner sites.
8. Ensure all unreconciled balances (URBs) are researched and resolved for all Navy sites operating under DSS in accordance with Chapter 4.

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CHAPTER 2

PHYSICAL INVENTORY

Part A: PHYSICAL INVENTORY REQUIREMENTS

Section I: UNSCHEDULED INVENTORY

02111 GENERAL GUIDANCE

1. Unscheduled inventories will be initiated by the owner using Document Identifier Code (DIC) DJA. Navy storage activities operating under Distribution Standard System (DSS) will also initiate unscheduled inventories using DIC DJA. Navy storage activities operating solely under Uniform Automated Data Processing System (UADPS) will initiate unscheduled inventories by using DIC ZAW. (Refer to paragraph 02216 for Type of Physical Inventory/Transaction History Codes (TPITHCs) to be used in record position 7 of the DJA.) **Unscheduled inventories will be completed within 15 calendar days of the Physical Inventory Cutoff Date (PICD).** When circumstances warrant that an unscheduled inventory be cancelled, it must be rescheduled within 15 calendar days of the cancellation date.

02112 SPOT INVENTORIES OF WAREHOUSE REFUSALS

1. A warehouse refusal occurs when stock point records indicate an on-hand balance but material cannot be located to satisfy a customer requisition or Material Release Order (MRO). Processing of a warehouse refusal will result in customer credit, referral of the requisition, adjustment of stock record on-hand balance to zero, and the generation of a spot inventory.
2. The storage activity will automatically generate a spot inventory for all warehouse refusals, regardless of dollar value of the variance.

02113 SPECIAL INVENTORIES REQUESTED BY THE STORAGE ACTIVITY

1. Special inventories will be requested by the storage activity when a known or suspected imbalance exists between the recorded and actual on-hand balance, or when necessary to resolve a Supply Discrepancy Report (SDR).
2. A special inventory may also be generated by the storage activity to resolve an in-house receipt loss, or a location survey discrepancy.

02114 SPECIAL INVENTORIES REQUESTED BY OWNER

1. The Inventory Control Point (ICP) may request a special inventory to resolve a bounceback (i.e., original referral returned by the storage activity because the item is not carried or the storage activity record is at zero on a carried item) or a warehouse refusal at a storage activity.
2. Special inventory requests will be initiated as required by the ICP to resolve record/quantity mismatches resulting from location reconciliations.
3. When a known or suspected imbalance exists between the recorded and actual on-hand balance, the ICP may request a special inventory on selected items.

Section II: SCHEDULED INVENTORY

02121 GENERAL GUIDANCE

1. Storage activities will be responsible for scheduling inventories based on subsequent paragraphs in this section. Owners will submit DJAs (using a management code "I") to storage activities at the beginning of each fiscal year to indicate which items are to take priority when the storage activity schedules its inventory workload for the year. When the storage activity cancels a scheduled inventory, it must ensure that the inventory is rescheduled in order to meet the inventory requirements within the current fiscal year. **Scheduled inventories will be completed within 30 calendar days of the PICD.**

02122 GENERAL SUPPLIES

1. A random statistical sample inventory of the total population of items in storage shall be conducted quarterly to determine an activity's variable line item accuracy rate.

a. UADPS activities will use the Statistical Accuracy Techniques and Measurements Analysis (STATMAN) system to perform the sample inventory. Naval Shipyards that are operating under the Material Access Technology (MAT) system will use MI to perform the sample inventory. Chapter 8 provides additional guidance to the shipyards regarding reporting requirements for physical inventories. The following strata are to be used when submitting a STATMAN report to NAVSUP.

(1) Category A – High Dollar Value. Unit price greater than \$1,000. Record accuracy goal is 99% with 0% tolerance.

(2) Category B – High Variability. Unit of issue not equal to each; or on-hand balance > 50 and extended dollar value < \$50,000; or Average Quarterly Demand (AQD) > 3. Record accuracy goal is 95% with a 10% tolerance. For the purposes of this category, Unit of Issue not equal to each includes the following:

Assembly	AY	Group	GP	Square Yard	SY
Assortment	AT	Hundred	HD	Strip	SP
Board Foot	BF	Kit	KT	Ten	TE
Book	BK	Meter	MR	Thirty-six	TS
Cubit Foot	CF	Ounce	OZ	Twenty-four	TD
Cubit Meter	CZ	Outfit	OT	Twenty-five	TF
Cubic Yard	CD	Package	PG	Thousand	MX
Dozen	DZ	Pair	PR	Thousand Cubic Feet	MC
Fifty	FY	Pound	LB	Ton	TN
Five	FV	Set	SE	Troy Ounce	TO
Foot	FT	Shot	SO	Yard	YD
Gross	GR	Square Foot	SF		

NOTE: Navy was granted waiver by DUSD – (L) to use AQD>3 vice NSN activity as stated in reference (a).

(3) Category C – Low Maintenance. Date of last inventory > 24 months and on-hand balance < 50. Record accuracy goal is 95% with 5% tolerance.

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(4) Category D – All Other. Any material not meeting the above criteria would fall into this category. Record accuracy goal is 95% with 0% tolerance.

NOTE: If the actual accuracy of each of the substrata above does not meet the goal for that category (taking the tolerance into consideration), a wall-to-wall inventory will be required for all items meeting the criteria of that category. The STATMAN report will still be provided to NAVSUP per paragraph 02122.1c. All subsequent UJ20 reports following the completion of the wall-to-wall inventory will also be provided to NAVSUP per paragraph 02122.2.

b. Activities should define further substrata to help localize physical inventory problem areas, and to assist in the development and modification of the physical inventory schedule.

c. Quarterly STATMAN reports should be submitted to NAVSUP (4B1H) within 15 days following the end of each quarter. The Regional IAO is responsible for ensuring a STATMAN report is submitted for each partner site operating under UADPS.

d. Quarterly MI reports should be submitted to NAVSEA 04X2M within 15 days following the end of each quarter.

e. Navy storage activities not operating under UADPS/MAT may perform quarterly sample inventories as long as the sample is statistically valid, with all stored items given equal weight in the selection algorithm.

f. "W", "V", "L" purpose code items may be excluded from STATMAN inventories, as well as items in condition code "M".

2. Navy storage activities have the option to perform wall-to-wall inventories vice random sampled inventories. UADPS activities opting to perform wall-to-wall inventories must complete the inventories in the same fiscal year they were started. All UJ20 reports must be provided to NAVSUP 4B1H within two weeks of the report date. Regional IAOs will ensure that a copy of all partner site UJ20 reports will be provided to NAVSUP 4B1H.

3. Per reference (a), OSD requires each service to provide a statistical random sample inventory report using the criteria stated in paragraph 02122.1 above. Storage activities opting to perform wall-to-wall inventories must also perform one annual random sample inventory (preferably during the fourth quarter) and submit the results to NAVSUP 4B1 in order to meet the OSD requirement. For those activities already performing quarterly random sample inventories, the fourth quarter report will be used in providing a report to OSD.

4. Nuclear Water Chemicals. Conduct quarterly inventory as required by reference (b).

5. Level I/SUBSAFE. Conduct annual inventory as required by reference (c).

6. "W/L" Purpose nonconsumable fixed allowance assets will be inventoried annually as required by reference (d).

7. Subsistence. Conduct annual inventory.

8. "V" Purpose. These items are repairables supporting inventory assets. An annual inventory will be conducted. "V" purpose code assets will be warehoused at the Naval Aviation Depot (NADEP). The NADEP will retain ownership of the assets as well as the custody card. The

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NADEP will complete a Financial Liability Investigation of Property Loss (DD Form 200) for "V" purpose assets lost while in NADEP custody. The NADEP shall report all losses of "V" purpose assets to the Regional Inventory Accuracy Officer located at the partnering FISC. The responsibility for conducting inventories of these assets should be stated in the partnership agreements between the NADEP and the FISC.

9. Bulk Petroleum Products. A monthly inventory as required by reference (e). Personnel other than the personnel performing the tank gauging operations will confirm and record the tape measurement, temperatures, and water "cuts". Personnel may be employees of the physical inventory or quality control activity organization or a fuel activity employee designated in writing by the head of the Fuel Department as the inventory agent. Volume corrections will be made to 60 degrees Fahrenheit in accordance with the ASTM-IP Petroleum Measurement Table 6 published in the American Society for Testing Materials. Stock record cards and the Financial Inventory Ledger (NAVCOMPT Form 2153) will be adjusted to reflect stock on hand as a result of the monthly inventory.

10. Gas and Cylinders. A complete inventory of all gases and cylinders will be completed annually.

11. ICP Active Item Inventories. These are items that the IM anticipates replenishment action through procurement or induction into repair facilities. All condition codes of the stock number will be inventoried when requested by ICP.

02123 ARMS AND AMMUNITION

1. Physical inventory requirements for arms and ammunition is performed in accordance with references (g) and (w).

02124 OTHER CONTROLLED INVENTORY ITEMS

1. The following controlled inventory items require complete physical inventory and do not qualify for use of a random statistical sampling approach:

a. All narcotics, drug abuse items, alcohol, and precious metals (Security Codes Q and R) will be inventoried quarterly as required by reference (f). Record accuracy goal is 100% with 0% tolerance.

b. All classified (Security Codes, A, B, C, D, E, F, G, H, K, L, O, S, T) items will be inventoried annually. Dual stock records (both manual (NAVSUP Form 766) and automated) must be reconciled simultaneously after completion of the physical inventory. Any variances in quantities between the manually maintained stock record card and the automated record requires further research and adjudication. Record accuracy goal is 100% with 0% tolerance.

c. All sensitive items (Security Codes 1, 2, 3, 4, 5, 6, 8, 9) will be inventoried annually as required by reference (f). Record Accuracy goal is 100% with 0% tolerance.

d. All pilferable items (Security Codes I, J, M, V, W, X, Y, Z, 7) will be inventoried annually. Record Accuracy goal is 95% with 0% tolerance.

e. All radioactive items will be inventoried semiannually. NAVICP will provide a semiannual

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report to NAVSUP in accordance with reference (h). Record Accuracy goal is 100% with 0% tolerance.

f. All inert nuclear ordnance material (8A and 0A Cogs) will be inventoried annually. Record Accuracy goal is 99% with 0% tolerance.

Section III: PHYSICAL INVENTORY PLANNING

02131 ANNUAL PHYSICAL INVENTORY SCHEDULE

1. NAVICP will send DJA transactions (management code "I") to the storage activities for the Navy-owned items requiring an inventory during the next quarter. These transactions will be forwarded to the storage activities by August 30, November 30, February 28, and May 31, for the quarters beginning October 1, January 1, April 1, and July 1, respectively. Storage activities should include these items in their physical inventory schedule for the upcoming quarter.
2. During the fourth quarter of each fiscal year storage activities will prepare a physical inventory schedule for the following fiscal year. In preparing the schedule, storage activities will consider the following:
 - a. Estimated number of scheduled and unscheduled (spot and special) inventories to be conducted in the fiscal year.
 - b. Results of recent statistical sample inventories and location surveys. If a sample location survey or physical inventory dictates the need for a wall-to-wall physical inventory of a warehouse or warehouse area, the annual schedule will be updated with the scheduled inventory requirement.
 - c. Mandatory inventory requirements described in Section II above.
 - d. List of DJA transaction from NAVICP which specifies items requiring inventory during the next quarter.
 - e. Projected resource availability for the fiscal year.
3. The annual schedule must indicate the inventories projected for execution during each quarter of the fiscal year. The following format will be used:
 - a. Inventory Segment. This column will identify the type of material (e.g., classified, FSC group, etc) to be inventoried (scheduled).
 - b. Scheduled Inventory Line Items. This column will reflect the estimated number of line items in the segment scheduled for inventory.
 - c. Warehouse/Warehouse Area. Identify the warehouses or warehouse areas (if known) in which the physical inventory will be conducted.
 - d. Preliminary Cutoff Date. At start of business on this date (within 15 days of the PICD), inventory controls are established and tracking of in-process transactions begins.

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e. Physical Inventory Cutoff Date (PICD). PICD will be established at the close of business for the day or as the first order of business the next day. Storage activity record balances are obtained at this time.

f. Date Count Commences. The count should begin on the first workday after the PICD (if run as the last order of business) or on the PICD (if run as the first order of business).

g. Established Number of Unscheduled Inventories. Estimate the number of spot and special inventories to be conducted during each quarter of the fiscal year.

4. The organizational components at the storage activities that process receipts, issues, disposal orders, reidentifications, catalog changes, etc., will be provided a copy of the inventory schedule. A copy of this schedule will be provided to the data processing activity if inventories are conducted using a mechanized or computerized system. Data processing activities are responsible for running physical inventory programs in accordance with this schedule.

02132 FORMING PHYSICAL INVENTORY SEGMENTS

1. Physical inventory segments of general supply type material will be formed on the basis of the number of line items, which can be counted and balances verified or adjustments processed within 30 calendar days.

02133 RESOURCE ALLOCATION

1. Storage activity management personnel involved in the physical inventory program will take an active role in budgeting and workload forecasting to insure that the total workload generated in response to the requirements listed in Sections I and II above is identified and that the resources to accomplish this work are properly identified.

2. If it is determined that resources are not available to conduct all inventories listed in Sections I and II above, stock points will perform the following:

a. Ensure that ALL inventories listed in paragraph 02124 above (for other controlled inventory items) are completed as required.

b. Allocate available resources on the following basis (inventories are listed in priority sequence):

- (1) Spot inventories of warehouse refusals
- (2) Inventories of in-house receipt losses
- (3) Other unscheduled inventories
- (4) Inventories listed in paragraph 02122 (in the order listed).

3. Storage activities should maintain status of their physical inventory workload (e.g., number of inventories requested, number of inventories completed, backlogs, etc.). Visibility of workload information is essential for budget planning purposes and for management of the physical inventory program.

Part B: PHYSICAL COUNT AND RECONCILIATION PROCESS**Section I: COUNT PREPARATION / CONTROL****02211 PRELIMINARY INVENTORY CONTROLS**

1. Preliminary inventory controls will be established at least five but no more than 15 calendar days prior to the PICD. The purpose of this action is to insure that those transactions that affect the inventory cutoff balance and the count are identified. Storage activities will ensure the following preliminary inventory controls are completed in order to help reduce the potential for inaccurate inventory counts:

a. Ensure location integrity by correcting such situations as unbinned/loose material; questionable identity of material in location; and single locations containing multiple supply condition codes or stock numbers, inadequately labeled shelf-life items (date of manufacture/assembly/pack or date of expiration/inspection/test, as appropriate); and/or material lots stored in a single location.

b. Ensure that outstanding documents for receipts, adjustments, reversals, or any other transactions are posted to the property accountability record and that in-process receipts are stored in location prior to the established PICD.

2. Storage activity organizational components responsible for storage and warehousing of material will take the following actions prior to establishment or preliminary cutoff date for physical inventory:

a. Terminate or complete rewarehousing or relocation projects prior to physical inventory.

b. Conduct preliminary walk-through to insure that physical storage conditions are suitable for the taking of the physical inventory. The following actions will be taken as part of this evaluation:

(1) Correction of leaning stacks or other housekeeping shortfalls that would hamper the inventory process.

(2) Providing proper identification of stocks.

(3) Insuring warehouse location markers are clear and distinct.

(4) If any of the above conditions are not complete, rescheduling should be considered.

c. To the extent possible, process all outstanding or in-process issues and receipts prior to the PICD.

d. Provide copies to inventory personnel of those transactions (e.g. receipts, issues, disposal orders, condition code transfers, reidentifications, etc.) which occur during the inventory control period. The date processed will be shown on each transaction. UADPS activities may use DIC ZAU for this purpose.

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02212 INITIATING AN INVENTORY

1. When the Naval Inventory Control Point (NAVICP) wishes to conduct special (unscheduled) inventories of wholesale material, it will send a DIC DJA (Physical Inventory Request) transaction (using the appropriate Type of Physical Inventory Transaction/History Code in paragraph 02216 below) to the appropriate storage activity at least eight days prior to the PICD.
2. UADPS storage activities may process a DIC Z8P to initiate a scheduled inventory or a DIC ZAW to initiate a special inventory at least 5 days prior to the PICD. The FISCs may also initiate an inventory at a partner site by using DIC Z8P/ZAW at least five days prior to the PICD.
3. For UADPS activities without RTIC, obtain count cards/listing for all locations recorded for all condition code(s) and items qualifying for inventory at each site. As a minimum, the count cards/listing should contain the cog, NSN, physical security/pilferage code, unit of issue, condition code, location, cutoff date, inventory serial number, and site code. Count cards/listing should also provide adequate space for the count quantity, signature of counter, julian date of count, annotating of storage discrepancies and count computations. Count cards/listings should never include recorded stock record balances. Controls will be maintained to insure that all count cards/listings issued to inventory counters are returned.
4. For RTIC activities, counts will be input into the hand held devices with the previously mentioned data (cog, NSN, etc.) being verified. The warehouse person will sign on to the system with his/her identification number and will perform the physical counts on the items designated by the system. RTIC also provides optional print outs to be used during inventory counts as opposed to using the handheld devices. The counts will be annotated on the listings then entered manually via the keyboard into the system. Note: location surveys may be done concurrently with physical inventory counts in order to gain workload efficiencies.

02213 COUNT PROCEDURES

1. First counts will commence by the first workday following the PICD and be completed within three workdays with any count cards/listings being returned to the inventory office.
2. Storage activity record balances will be accepted for the purpose of first count of material in Condition Code "M" (material in rework, repair, renovation, or assembly) if validation of rework production status reports or assembly orders provides documentation to support the on-hand record quantity. If a discrepancy exists between the count based upon supporting documentation and the cutoff balance, verification by the production shop or maintenance facility will be required. If verification by the production shop or maintenance facility does not resolve the discrepancy in Condition Code "M", a second count card will be handwritten and a physical count of material in the rework shop will be taken.
3. Scale counts may be used only when there are large quantities of small items that would be difficult to count individually and would not be cost effective to do so. Scale counts will be acceptable as long as scales are kept properly calibrated.
4. Inventory counters will check information listed on bar code label/count card with material in location (e.g., condition code, security code, unit of issue, etc.) to ensure correct items are being counted. Any discrepancies will be annotated on the count card/inventory listing.

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5. Bin tag or pallet count placard quantities will not be accepted during the first count. Open or nonstandard unit pack boxes or containers will be pulled from the location and counted. Manufacturer sealed boxes or containers will not be opened unless the identification or quantity is in doubt.
6. Computations used to arrive at first counts will be annotated on the count card. For example: pallets X cartons X units = actual count. Computations will not be documented when hand held devices are used during inventory counts.
7. The inventory counter will sign or initial and date the count card/listing upon completion of physical count. If hand held devices are used during physical counts, the counter will input his/her identification number into the hand held device before performing any physical counts.
8. If transactions are controlled during the inventory by marking of the julian date and hour in which the action occurred (e.g., receipt stowed), counters will annotate julian date and hour in which count was taken on each count card/listing.

02214 FIRST COUNT VALIDATION AND SECOND COUNT REQUIREMENT

1. Physical counts will be required for all first counts regardless of the type of inventory. First count quantities should be summarized by cog/NSN/purpose code/condition code and matched against stock record quantities.
2. For any quantity discrepancies, review infloat transactions/material and modify counts as required.
3. If the modified first count quantity matches the stock record quantity or if the difference between the modified first count quantity and the stock record actual cutoff quantity results in an adjustment of \$1000 or less, and the item is not a controlled item, the item will be considered reconciled and the inventory completed according to the steps outlined in Section III below. (Note: Storage activities may lower the dollar threshold for automatic adjustments, but may not exceed the \$1,000 threshold.)
4. Second counts will be taken for all controlled items where the first count does not match the record quantity. Second counts will be taken for all non-controlled items requiring an adjustment greater than \$1000 where the first count does not match the record quantity.
5. Second counts will not begin until all first counts for a specific NSN and condition code have been accounted for and infloat transactions/material have been considered and compared with storage activity record balances.

02215 SECOND COUNT VALIDATION AND THIRD COUNT REQUIREMENT

1. Summarize second count quantities by cog/NSN/purpose code/condition code/security code. Review infloat transactions and modify counts as required.
2. If the modified second count quantity matches the stock record actual cutoff quantity, the item is reconciled and the inventory will be completed according to Section III below.
3. If first and second counts do not match, and the potential adjustment is less than an activity's causative research threshold (see Part C of this chapter), a third count can be conducted and verified by the inventory supervisor. Once taken, the third count will be posted.

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4. A third count will be taken if the first and second counts do not match the stock record balance and the potential adjustment exceeds an activity's causative research threshold or if the item under inventory is sensitive or controlled.
5. Third counts will not commence until all second counts for a specific NSN and condition code have been accounted for, infloat transactions/material considered, and count quantities compared with the actual cutoff balance. Third counts will be performed by the inventory specialist at the time causative research is being performed.
6. If the modified third count quantity matches the stock record PICD quantity, the item is reconciled and the inventory will be completed according to Section III below.
7. If the modified third count matches a previously modified (first or second) count, use the modified third count for adjustment purposes. If none of the modified counts match, use the modified count closest to the stock record PICD quantity for adjustment purposes.

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02216 TYPE OF PHYSICAL INVENTORY TRANSACTION/HISTORY CODES

Code	Definition
A	Reserved for future DOD assignment.
B	Reserved for future DOD assignment.
C	Special inventory, all supply condition codes. Initiated by owner or storage activity when date of last inventory is greater than 90 calendar days.
D	Special inventory, all supply condition codes. Initiated by owner as a result of end of day processing imbalances when date of last inventory is greater than 90 calendar days.
E	Spot inventory due to denial (all supply condition codes). Initiated by the storage activity or owner as a result of a warehouse denial.
F	Reserved for future DOD assignment.
G	Scheduled inventory. Inventory to be conducted within a specified period of time according to an established plan on controlled items and all other items or categories designated by the DOD component.
H	Special inventory, all supply condition codes. Initiated by owner when an inventory is necessary and the date of last inventory is less than 90 calendar days.
I	Scheduled inventory, all supply condition codes. Initiated by storage activity based on selection and prioritization from owner.
J	Special inventory, all supply condition codes. Initiated by owner as a result of location reconciliation errors when date of last inventory is greater than 90 calendar days.
K	Special inventory, all supply condition codes. Initiated by storage activity as a result of location survey errors when date of last inventory is greater than 90 calendar days.
L	Scheduled inventory, specified supply condition codes. Initiated by owner for a random statistical sample inventory.
M	Special inventory, all supply condition codes. Initiated by storage activity as a result of onhand balance mismatches between the locator and property accountability records.
N	Scheduled inventory, specified supply condition codes. Initiated by storage activity for the annual statistical sample inventory.

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O	Reserved for future DOD assignment.
P	Scheduled inventory, specified supply condition codes. Initiated by storage activity for a random statistical sample inventory.
Q	Reserved for future DOD assignment.
R	Special inventory, specified supply condition codes. Initiated by storage activity in an effort to resolve a customer report of discrepancy.
S	Special inventory, specified supply condition codes. Initiated by storage activity as part of receipt followup (intransit) resolution process.
T	Special inventory, specified supply condition codes. Initiated by storage activity as a result of a disposal release order directing ownership transfer to the Recycling Control Point.
U	Special inventory, specified supply condition codes. A location-level inventory initiated by storage activity for low asset visibility counts.
V	Special inventory, specified supply condition codes. Initiated by storage activity as a result of a location-level inventory adjustment or exceeding predetermined thresholds.
W	Automatic submission of transaction history from storage activity to owner/manager.
X	Storage activity transaction history requested by owner/manager or transaction history response from storage activity to owner.
Y	Reserved for future DOD assignment.

Section II: PREADJUSTMENT RESEARCH

02221 TRANSACTION HISTORY

1. Obtain and review at least 90 days of transaction history to determine the possible cause of the discrepancy. Focus on transactions with quantities that are close to the amount of the potential gain or loss first; if that fails, search for partial amounts.

02222 POTENTIAL LOSSES

1. For potential losses, at a minimum, look for:

a. Locations that were deleted or changed. If any are found, make handwritten count cards for those locations.

b. Duplicate receipts (multiple records containing the same document identifier, document number, transaction quantity, and supplemental address may be a duplicate receipt).

c. Gains during/since the last inventory.

d. Customer cancellations/underissues (if the potential loss quantity is equal to the transaction quantity, consult with the organizational component that processes customer cancellations/underissues to determine if it was processed correctly).

e. Issue on request (IOR) transactions not yet recorded on the transaction history.

f. Condition or purpose code transfers and logistics transfers.

02223 POTENTIAL GAINS

1. For potential gains, at a minimum, look for:

a. An in-process receipt or issue for the same quantity as the potential gain.

b. Losses during/since the last inventory.

c. Incomplete disposal actions.

d. Condition or purpose code transfers and logistics transfers.

e. Supply record discrepancy.

2. Research will end when the cutoff balance has been verified or the adjustment quantity determined. The inventory will be completed according to Section III below.

Section III: INVENTORY COMPLETION**02231 ADJUSTMENTS**

1. Immediately upon completion of postcount validation and preadjustment research, the storage activity will process a physical inventory adjustment if the discrepancy between the physical counts and the record balance cannot be reconciled. For UADPS activities, this action is required to clear the Physical Inventory Code (PHINC) and set the date of last inventory. The inventory is not considered complete until this action has been processed.
2. When no adjustment is required for wholesale inventories, the storage activity will transmit a DIC D8A with zero quantity for each line item to the owner/manager to indicate completion of the inventory. The owner/manager will update the date of last inventory using the adjustment transaction date. For retail inventories requiring no adjustment, the storage activity will process the appropriate DIC (i.e., ZAT for UADPS) pertaining to their automated system.
3. Offsetting imbalances between condition codes during the physical inventory will be corrected with a condition code transfer in lieu of a physical inventory adjustment. If the true condition of the material is in doubt and cannot be verified prior to completion of the inventory, the actual quantity on hand will be transferred into condition code "J". Any variances of quantity will be adjusted by inventory loss or gain to the condition code "J" record. Technical inspection of the material should be requested for all material transferred to "J". Failure to process condition code transfers during the physical inventory will result in reporting of false balances to the IM and can result in warehouse refusals. A zero adjustment will also be posted immediately following the condition code transfer.
4. Process inventory gains and/or losses when the overall adjusted count does not agree with the total PICD quantity, or when only one condition code has been inventoried.
5. When the storage activity record reflects more than one owner for commingled wholesale material, the storage activity will apply all gains and losses to the wholesale manager. The storage activity will prorate any losses that cannot be applied to the wholesale manager among all owners having balances (with the exception of foreign owner and SDAF balances unless they are the only remaining balances for reporting a loss).
6. The storage activity will process DIC D8A/D9A adjustments by line item and by each date packed/expiration date and type of pack for subsistence to update the storage activity's quantitative balance record and each owner/manager record.
7. Ensure causative research is performed as required in Part C below.
8. On occasion, a systemic problem may arise that prevents a transaction from being processed within UADPS. When this occurs and the program problem will not be fixed in the foreseeable future, a "ZXA" transaction may be necessary to adjust the on-hand quantity. A "ZXA" transaction is only to be used as a last resort and must be accompanied by a financial (Money Value Only) transaction to align the financial records with the supply records. The IAO must approve and sign for all "ZXA" transactions processed. A "ZXA" transaction cannot be reversed. It can only be remedied by another "ZXA" transaction.

02232 ADJUSTMENT REVERSALS

1. Inventory adjustments may be reversed only if it is less than two years old. The receipt or issue transaction must be properly documented to reference the specific document number used to offset the reversal. Reversal transactions must be processed to allow the proper posting of the correct supply transaction to ensure auditability and accountability of physical distribution processes. Reversals of physical inventory adjustments will be permitted only when all of the following conditions exist:

a. The original adjustment can be identified.

b. Supporting documentation to determine the actual cause of the discrepancy (e.g., physical inventory count history, transaction history, source documents of misprocessed transaction(s), etc.) is available to support the conclusion that the physical inventory adjustment was taken in error.

c. When a subsequent inventory adjustment occurs regardless of whether or not it was computer generated, it may be reversed if a misprocessed or unprocessed transaction has been identified and then processed correctly.

2. Reversals of adjustments greater than 90 days old must be approved by the Inventory Accuracy Officer in accordance with Chapter 9.

3. Physical inventory adjustments will be reversed through credit loss or gain procedures. Adjustments will not be reversed by a complementary financial transaction, i.e., an M4 loss will not be reversed by a D4 gain, but with a credit loss.

4. Physical inventory adjustment reversals equal to or greater than the inventory adjustment criteria will be reviewed and approved in accordance with Chapter 9 prior to posting.

5. Reversal transactions (supply and physical inventory transactions) will not be processed solely on the basis of a previous offsetting physical inventory adjustment.

02233 ACCOUNTING FOR ADJUSTMENTS

1. The following Financial Inventory Report (FIR) codes are of interest when processing inventory adjustments:

a. D4 - Inventory Adjustment - Physical Inventory (Gain)

b. D5 - Inventory Adjustment - Incoming Shipment (Gain)

c. M4 - Inventory Adjustment - Physical Inventory and In-House Receipt (Loss)

d. M5 - Inventory Adjustment - Incoming Shipment (Loss)

e. M6 - Inventory Adjustment - Shrinkage, Fire, Theft (Loss)

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2. The above inventory gains and losses are used to calculate a portion of the surcharge that is applied to the inventory prices of our wholesale supply items, and therefore, are monitored by NAVSUP as part of the surcharge reduction effort. The physical inventory program guidance spelled out in this publication is designed to aid in streamlining operations and to reduce costs where possible.

3. A cross reference of the FIR codes to the corresponding general ledger account numbers is provided in Appendix C.

02234 ERROR CLASSIFICATION CODES

1. All inventory adjustments will be assigned an Error Classification Code (ECC) as defined below. For zero adjustments, ECCs are designed to differentiate between matches resolved by infloat transactions, and adjustments avoided as a result of preadjustment reconciliation.

2. The ECC is a three digit code required in record positions 63-65 of the D8A/D9A and D8B/D9B transactions. The ECC provides a standard means for all services to classify the causes of actual/potential adjustments for subsequent analysis, evaluation, and corrective action. Error causes will be summarized and provided in the Physical Inventory Section of the DOD Inventory Control Effectiveness Report (see Chapter 8). The description of each digit follows:

a. First position (rp 63). This is an alpha/numeric character that identifies the operation during which the error occurred (not detected). Table 1 lists the following operation codes assigned as the first character in the ECC:

Table 1

CODE	OPERATION
0	Not assigned; reserved for future assignment by DOD
1	Receiving
2	Issue
3	Physical Inventory
4	Cataloging Changes
5	Logistics Reassignments
6	Warehousing/Rewarehousing
7	Location Survey
8	Other
9	Not assigned; reserved for future assignment by DOD
A-Z	Not assigned; reserved for future assignment by DOD

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b. Second position (rp 64). This is an alpha/numeric character that identifies the type of error that occurred. Table 2 lists the following type of error codes assigned as the second character in the ECC:

Table 2

CODE	TYPE OF ERROR	DEFINITION
A	System/Program Error	Property accountability record was not correctly updated by a valid transaction because system failed or the program contained a logic error.
B	Document Not Posted	Physical processing was completed but transaction update of the property accountability record was not effected.
C	Source Document Error	Error in the source document NIIN, quantity, unit of issue, condition, type of pack, lot number, ownership/purpose, and/or location (routing identifier) caused erroneous update of property accountability record.
D	Data Entry Error	Input transaction did not match source document NIIN, quantity, unit of issue, condition, type of pack, lot number, owner-ship/purpose, and/or location (routing identifier) and caused erroneous update of the property accountability record.
E	Rejected Document Not Posted	Transaction was rejected during processing and was not re-input to update the property accountability record.
F	Duplicate Document Posted	Same transaction updated the property accountability record more than once.
G	Reversal Document Not Posted	Property accountability record was updated by a transaction processed to completion and required transaction reversal was not processed.
H	Erroneous Reversal Posted	Prior action to reverse a transaction which updated the property accountability record was taken in error.
I	Not Assigned	
J	Misidentified/Mixed Material	Assets in storage location were identified by incorrect/multiple stock number, unit of issue, supply condition, shelf-life, type of pack, lot number, or ownership/purpose.
K	Duplicate Physical Processing	Transaction updated the property accountability record once but material physically processed more than once.

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Table 2 (continued)

L	Wrong Material Selected	Material selected did not match transaction which updated the property accountability record (i.e., wrong stock number, quantity, unit of issue, supply condition, type of pack, lot, ownership/purpose, and/or location was physically selected).
M	Material Selected From Wrong Location	Storage location from which material was selected did not match storage location cited in the transaction.
N	Physical Processing Not Complete	Transaction updated the property accountability record but physical processing of material was not completed.
O	Not Assigned	
P	Erroneous Denial	Denial processed in error. Material found after denial was submitted.
Q	Material Not Stored/ Stored Incorrectly	Material was not stored in finite location or placed in finite location when processing the storage transaction
R	Infloat Document Control Error	Erroneous data posted to the property accountability record because infloat documents were not considered or were not available.
S	Erroneous Count	Material incorrectly counted.
T	Erroneous Adjustment Posted	Prior action to adjust the property accountability record was taken in error.
U	Catalog Change Not Posted	Transaction resulted in erroneous update of the property accountability record because the property accountability record was not updated by catalog change transaction.
V	Erroneous Catalog Change Posted	Erroneous data posted to property accountability record due to error in catalog change record due to error in catalog change transaction (e.g., wrong unit of issue to or from, etc.)
W	BinTag/Locator Label Error	Bin tag/locator label missing, incomplete, or reflected erroneous data for assets in storage location.
X	Theft	Inventory adjustment attributed to probable theft.
Y	No Conclusive Findings	Cause for the inventory discrepancy could not be determined.

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Table 2 (continued)

Z	Not Assigned	Reserved for future DOD assignment.
0-9	Not Assigned	Reserved for future DOD assignment.

c. Third position (rp 65). This is an alpha/numeric character that further identifies the reason for the error determined by preadjustment research or causative research. Table 3 lists the following type of error codes to be used during preadjustment research that is assigned as the third character in the ECC:

Table 3

CODE	DEFINITION	EXAMPLES
A	Resolved, no adjustment	For UADPS activities, this code will be programmatically assigned by AIR programs.
B	Infloat resolved during Restricted manual review, no adjustment	Restricted to UADPS AIR activities. Zero adjustment with no discrepancy.
C	All or part of adjustment avoided; receiving error	Receiving error accounted for the majority of the inventory imbalance. Error corrected.
D	All or part of adjustment avoided; storage error	Warehouse or issue error accounted for the majority of the inventory imbalance. Error corrected.
E	All or part of adjustment avoided; physical inventory error	Inventory error accounted for the majority of the inventory imbalance. Error corrected.
F	All or part of adjustment avoided; other error	Error other than C, D, or E accounted for the majority of the inventory imbalance. Error corrected.
G	Reconciled by UADPS AIR programs; adjustment taken	Restricted to UADPS AIR activities only. Programmatically assigned.
H	Unresolved, adjustment posted, below causative research	Non-zero adjustment with causative research not required.
J	Unresolved, adjustment posted, passed to causative	Non-zero adjustment for which causative research is to be conducted.

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Table 3 (continued)

K	Spot inventory reversal; erroneous warehouse refusal	Found in established or adjacent location during readjustment reconciliation.
L	Spot inventory reversal; erroneous inventory adjustment	Erroneous adjustment other than ware- house refusal (ECC of K) or material found in unrecorded location (ECC of M).
M	Spot inventory reversal; material found in unrecorded location.	Material found during location survey or warehouse clean-up.
N	Spot inventory reversal; duplicate document posted	Duplicate receipt/issue/condition code transfer.
P	Spot inventory reversal; other	Spot inventory reversals not covered by ECCs K, L, M, or N.

d. Table 4 lists the following type of error codes to be used during causative research that is assigned as the third character in the ECC.

Table 4

CODE	DEFINITION	EXAMPLES
Q	Receiving - data entry error	Input did not match source; exception not processed correctly.
R	Receiving - duplicate receipt	Self-explanatory. Put in process.
S	Receiving - document not posted	Erroneous reversals; uncleared exceptions.
T	Receiving - other	Receiving error other than ECC of Q, R, or S.
U	Storage - erroneous warehouse refusal	Found in established or adjacent location.
V	Storage - location error	Found in deleted location or found in unrecorded location.
W	Storage - document not posted	Receipt in process; warehouse adjustment not posted; condition code/stock number transfer.
X	Storage - issue error	Over/under issue; wrong NSN or condition code.

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Table 4 (continued)

Y	Storage - physical processing not complete	Change notice consolidations; locally initiated request for warehouse action.
Z	Storage - other	Warehouse/issue errors other than ECC of U, V,W, X, or Y.
1	Inventory control - document not posted or incomplete	Warehouse adjustment; condition code/stock number transfer; U/I conversions; indicative data; customer credits.
2	Inventory control - other	Inventory control errors other than ECC of 1.
3	Physical inventory - improper reconciliation	Infloat reconciled incorrectly; arithmetic error.
4	Physical inventory - prior offsetting adjustment not reversible	Prior off-setting adjustment greater than 365 days old or prior to most recent inventory.
5	Physical inventory - erroneous count	Self-explanatory.
6	Physical inventory - other	Inventory error other than ECC of 3, 4, or 5
7	Miscellaneous - system/program error	Duplicate issue document produced; use for all URB reversals at FISCs.
8	Miscellaneous - zero/partial stow found	Material found that was input as zero or partial stow.
9	Miscellaneous - unresolved after causative research	No conclusive findings after causative research completed.
Blank	No research code input – other	Self-explanatory.

Section IV: REPORTING AND RETENTION REQUIREMENTS

02241 TRANSACTION ITEM REPORTING

1. All D8A/D9A adjustments must be transmitted within 30 calendar days of the PICD for scheduled inventories and within 15 calendar days of the PICD for unscheduled inventories. TIR activities will also forward DIC DZA or DZH transactions to provide asset status to the ICP as required.

02242 RECORD RETENTION

1. Consolidate all data/count cards/listings/retrievals used in the research finding and retain for two years. Include the decision process, with a short narrative of the processing actions and proof that processing was completed (e.g., post receipt, reverse previous inventory adjustment, transaction history print out).

02243 REPORTING FOR CONTROLLED ITEMS

1. All gains and losses of controlled items will be reported to the security officer. Further investigation and completion of a DD Form 200 (Financial Liability Investigation of Property Loss (FLIPL)) is required in accordance with Part E of this chapter. An MLSR report is only required for adjustments of classified items. Revised MLSR reporting will be in the format of a Situation Report (SITREP) vice a DD Form 200 in accordance with references (i) and (q). Copies of these SITREPs will be provided to NAVSUP 4B1 within 5 days of completion.

02244 REPORTING SUSPECTED THEFT

1. If theft is suspected as a result of pre-adjustment research, notify security personnel immediately. Suspected theft of classified material will be reported in a SITREP in accordance with references (i) and (q).

Part C: CAUSATIVE RESEARCH

Section I: GENERAL GUIDANCE

02311 PURPOSE

1. The purpose of causative research is to identify, analyze, and evaluate the causes of inventory adjustments with the goal of eliminating the contributing errors, and therefore, diminishing the requirement for adjustments. Conducting inventories without taking corrective action to eliminate causes of errors merely brings the records back into balance at a specific point in time. The likelihood that the contributing error will occur again is high unless proper corrective actions are accomplished.

02312 SCOPE

1. Causative research will be conducted after physical inventory adjustments have been posted to the property accountability records. Causative research must be completed within 45 calendar days from the date the adjustment is posted to the property accountability record or the date a sample causative research listing is created. Causative research that is not completed within 45 calendar days must be reported to the Inventory Accuracy Officer (IAO) with an explanation as to why the research was not completed in a timely manner. FISC partner sites that are required to perform causative research must complete the research within 45 days or a report must be provided to the Regional Inventory Accuracy Officer (RIAO) explaining why the research was not completed in a timely manner. The results of the causative research effort will be reviewed at least quarterly by the IAO or RIAO, when applicable, and other key management personnel whose functions are responsible for or will be affected by the errors identified.

Section II: PREPARATION FOR CAUSATIVE RESEARCH

02321 DATA COLLECTION AND RETENTION

1. To control backlog and ensure causative research is performed, stock points will maintain a listing or computer record of all physical inventory adjustments processed during the fiscal year which require causative research. If possible, data can be extracted from core inventory computer files (e.g., UADPS-SP Inventory Data File). The listing or computer record will include the following information:

- a. Type of inventory.
- b. Date of inventory.
- c. Cog.
- d. NSN, part number, or Navy control number.
- e. DOC ID of adjustment.
- f. Date of adjustment.
- g. Condition Code.

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- h. Document number.
- i. Inventory adjustment quantity.
- j. Dollar value of initial inventory adjustment.
- k. Security Code/Controlled Inventory Item Code
- l. Management Code.

2. Storage activities should have dates readily available for use in determining backlog (by age, dollar value, security code), resolution rate (\$+ line item) and ECC trend analysis.

02322 CAUSATIVE RESEARCH CRITERIA

1. The following adjustments will undergo causative research:

a. All physical inventory adjustment gains and losses of controlled items (classified and sensitive).

b. All physical inventory adjustment gains and losses of pilferable items with an extended dollar value greater than \$2,500.

c. Any other physical inventory adjustment gain or loss greater than \$16,000, regardless of the total value of the inventory.

d. Lower thresholds may be assigned locally by an activity, when necessary, to determine causes of inventory inaccuracies.

02323 PRIORITY SEQUENCE

1. Adjustments selected for causative research will be researched in the following priority sequence:

a. Adjustments of controlled (sensitive and classified) items.

b. Adjustments of pilferable items.

c. Other adjustments will be grouped based upon dollar value, with the highest dollar value adjustments researched first.

d. Adjustments not approved by the Inventory Accuracy Officer.

02324 CAUSATIVE RESEARCH EXEMPTIONS

1. Adjustments of Navy owned material that is stored in a DLA warehouse will be researched and accounted for by DLA. This responsibility transferred to DLA under Defense Management Review Decision (DMRD) 902. Although causative research will be done by DLA, the FISC will provide oversight and monitor backlogs, ECC trends, and actions taken to prevent future occurrence.

**Section III:
PERFORMING CAUSATIVE RESEARCH**

02331 PROCEDURES

1. Inventory personnel will review all transactions occurring since the last inventory or back one year from the date the inventory adjustment was posted, whichever occurs first. The only exception to this rule is when the extended dollar value of the adjustment is more than \$100K, in which case, causative research should go back two years from the date the inventory adjustment was posted. Tools made available through preadjustment research should be utilized to the maximum extent possible.
2. As a minimum, inventory personnel will check for the following in their research:
 - a. All supporting documentation (count cards, research listings, etc.) used in conducting the physical inventory and preadjustment research.
 - b. Catalog change actions (e.g., unit of issue, NSN changes).
 - c. Receipt and issue discrepancies.
 - d. Supply Discrepancy Reports (SDRs).
 - e. Unposted, rejected, or duplicate documents.
 - f. Mismatch reports from other data bases (e.g., ARF, BREES, NALCOMIS).
3. Inventory personnel performing causative research must determine the presence of any intervening inventory (an inventory resulting from a warehouse refusal prior to completion of an existing inventory or causative research). Intervening inventories should be worked simultaneously with the existing inventory. Failure to do so can result in duplicative workload for the storage activity and erroneous adjustments.

02332 RESULTS OF CAUSATIVE RESEARCH

1. If the results of causative research clearly establish that the adjustment was caused by a process error such as unposted transactions, duplicate transactions, erroneous quantities posted, etc., the original inventory adjustment will be reversed as a credit loss or gain (i.e., if an inventory loss was found to be the result of a process error, a credit loss will be processed to resolve the discrepancy). See paragraph 02232 above for the policy and procedures relating to the reversal of inventory adjustments.
2. If the results of the causative research disclose that the original adjustment was in error, the original adjustment should be reversed and a corrected adjustment processed.
3. If the results of causative research establish that the adjustment was due to theft or the possibility of theft, security personnel must be notified immediately. If loss of radioactive material occurs, NAVICP will be notified as required by reference (h). If the adjustment qualifies for reporting under the provisions of Part E below, a FLIPL (DD Form 200) must be prepared. An MLSR (SITREP format) must be prepared in accordance with references (i) and (q) for all adjustments and reversals of classified items with a copy being provided to NAVSUP Code 4B1.

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02333 CAUSATIVE RESEARCH CHECKLIST/WORKSHEET

NSN _____ Nomen _____ CC _____ PC _____

COG _____ U/I _____ Adj Qty _____ Ext \$ Value _____ Adj Date _____

Sec Code _____

Documentation required:

- Transaction History > 90 days (> 1 year if over \$100,000)
- Count cards
- Receipt and issue documentation
- Supply Discrepancy Reports (SDRs)
- Exception reports
- Change notice actions
- Other research listings _____

Research areas:

- Erroneous receipt/issue posting
- Location adds and deletes
- Receipt shortages (SDR completed)
- Duplicate receipts
- Missing receipt postings
- IORs not posted
- Exceptions deleted
- Other inventory adjustments
- Change notice actions
- Condition code transfers
- Logistics transfers

Physical count qty: _____

Issue after cutoff: _____

Receipt after cutoff: _____

Stock record balance: _____

Gain/Loss: _____

DIC: _____

Doc Nr.: _____

Inv Cat: _____

Qty reversed: _____

Date reversed: _____

Research code: _____

ECC: _____

Resolved discrepancy? (Y/N) _____ (If no, complete DD Form 200)

Causative researcher: _____

02334 RECORD RETENTION

1. Causative research packages will be retained for a minimum of two (2) years. File packages, as a minimum, will consist of:

- a. A copy of the transaction history.
- b. Copies of any unposted, rejected, or duplicate documents/transactions discovered that impact the causative research decision.
- c. Copies of count cards.
- d. Copies of any FLIPLS.
- e. Copies of any SITREPs reporting lost or found classified material.
- f. Copies of special reports to NAVICP and NAVSUP for losses of radioactive material, as specified in reference (h).
- g. Proof that corrective action has been taken, when necessary, including corrective action required of other activity departments.
- h. A summary/narrative sheet, summarizing research performed, causative research recommendations/decisions, and personnel involved in the performance and review of the causative research.
- i. Causative research checklist/worksheet in paragraph 02333 above.
- j. Signatures of review or approval authority.

Part D: WAREHOUSE REFUSALS AND BOUNCEBACKS

Section I: WAREHOUSE REFUSALS

02411 BACKGROUND

1. A warehouse refusal occurs when the storage activity record indicates material is available for issue but the material cannot be found in the location indicated on the storage activity record because of one of the following reasons: material is not in requested condition, shelf-life has expired, poor receiving storage practices, rewarehousing efforts, unresolved unreconciled balances (URBs), or a change in condition has occurred but has not been recorded on the stock record. The storage activity will process a credit back to the customer (i.e., ZWR transaction in UADPS) and an inventory loss (DIC D9A) is automatically reported with the credit. The credit transaction (and the D9A transaction if from a DSS site) will have the same document number of the requisition being denied.
2. For requisitions sent to a partner site that is warehouse refused, the system will pass the requisitions to the other appropriate partner sites within the region until the requisition is either filled or bounced back to the ICP for referral or backorder.

02412 PROCESSING

1. Storage activities should conduct the following research when a warehouse refusal occurs:
 - a. Review transaction ledgers to determine if there were new receipts, potentially erroneous adjustments, duplicate transactions, etc.
 - b. Check for new, deleted, or changed locations.
 - c. Check for logistic reassignments/transfers, stock number changes, or other catalog changes which might affect item identification or record balance.
 - d. Using the above information, search receiving and warehouse areas for receipts not placed in recorded locations.
 - e. Review for evidence of reidentifications, reclassifications, or transfers to/from Designated Overhaul Points (DOPs).
2. Upon completion of the above research, the storage activity will determine if the material is available for issue. If the material is not available for issue, a warehouse refusal transaction will be processed to the storage activity record and a spot inventory will be generated. The requisition will be annotated with "WR - NIS" or with the appropriate DIC. For a partial warehouse refusal, the quantity available for issue will be annotated above the original printed issue quantity on the requisition.

02413 GOAL

1. The warehouse refusal rate for storage activities will not exceed .08% (number of warehouse refusals divided by the number of requisitions processed).

Section II: BOUNCEBACKS

02421 BACKGROUND

1. A bounceback occurs when the ICP record shows material is available for issue and forwards a requisition to a storage activity, but the storage activity record indicates no material is available for issue. A major cause of bouncebacks is missing TIRs from the storage activity to the ICP and unreconciled balances (URBs) that are not processed correctly at the FISC/ICP. The storage activity system will automatically generate a bounceback (DIC A6_) to the ICP so the requisition can be referred (DIC A4_) elsewhere. The personnel at the storage activity will not see the initial requisition/bounceback, therefore, no action is required by the storage activity at this time. The ICP, however, may request assistance from the storage activity in researching causes of bouncebacks.
2. For Navy requisitions being processed by a DLA site, any bouncebacks will be generated by DSS and will be TIR'd through UADPS back to the ICP. No action will be required by DLA for bouncebacks. The UADPS system will automatically issue a credit to the customer and the on-hand balance will be taken down to zero by an automated inventory loss transaction.

02422 PROCESSING

1. Bouncebacks will post the same type of transactions as warehouse refusals to UADPS (ZWR/D9A) and UICP (D7_ reversal/D9A). The ICP is responsible for monitoring bouncebacks and warehouse refusals for Navy wholesale material. The ICP may distinguish the difference from a warehouse refusal and a bounceback by the AE6 status provided by the storage activity. The AE6 transaction will show a management code of "8" if it is a bounceback, while management codes 1, 2, 3, 4, 5, 6, 7, and 9 are used if the transaction is a warehouse refusal.
2. The ICP may send a DIC DJA (Request for Inventory) transaction to the storage activity as a result of a bounceback when research cannot determine the actual on-hand quantity of the item.

02423 GOAL

1. The overall goal for bouncebacks will be negotiated in the annual business plan between NAVSUP and the ICP.

SECTION III: REPORTING

02431 STORAGE ACTIVITIES

1. Storage activities are required to maintain a monthly Warehouse Refusal Report indicating the number of requisitions processed, the number of warehouse refusals generated from those requisitions, the warehouse refusal rate, the reasons for the warehouse refusals, and a narrative description explaining the corrective actions taken to prevent future warehouse refusals.
2. The NAVSUP Form 1144 Report provides performance data on material availability and requisition processing for each region (consolidated partner site data provided by the FISC) and those Navy activities that are not partnered with a FISC but perform physical distribution functions. This report is to be provided monthly by the FISCs and non-partner site Navy

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activities to NAVSUP 03S. The report format and instructions for completing the report are found in Chapter 8, Part B.

02432 REGIONAL INVENTORY ACCURACY OFFICER

1. The RIAO will monitor warehouse refusals at the partner sites for negative trends and will assist the partner site in developing a corrective plan of action to reduce warehouse refusals in order to meet established goals.

02433 ICP

1. The ICP will submit a monthly report to NAVSUP 4B1H within 10 calendar days following the report month. The report will show the total number of requisitions processed, the number of warehouse refusals and bouncebacks from the total requisitions processed, and the warehouse refusal/bounceback rate. The report should display data for all reporting activities and a system total for the current month, year to date, and total for the previous year. A brief explanation will accompany the report that provides reasons why any storage activity has not met the established goals.

PART E: FINANCIAL LIABILITY INVESTIGATION OF PROPERTY LOSS (FLIPL) PROCEDURES (DD FORM 200)

Section I: GENERAL GUIDANCE

02511 PURPOSE

1. A FLIPL is a financial document only and should be used for documenting financial liability. It is no longer used to report MLSR items. Section II below provides specific guidance for preparing the DD Form 200. Figure 1 is a sample DD Form 200.
2. A FLIPL will be used to report and account for the following types of adjustments:
 - a. An unresolved physical inventory adjustment that meets the causative research criteria (see Part C above),
 - b. An unresolved physical inventory adjustment when research has determined that theft, fraud or negligence is suspected.
3. A FLIPL will be completed within 45 calendar days after the completion of causative research if the causative research has failed to yield the cause of the material gain or loss.
4. Partner sites will conduct supply operations and perform causative research and accountable record adjustments, as required, based on memorandums of agreement between the partner site and the FISC.

SECTION II: RESPONSIBILITIES

02521 CAUSATIVE RESEARCHER

1. Complete **blocks 1-11** of DD Form 200 for all unresolved adjustments meeting the criteria in paragraph 02511 above.
2. Pass DD Form 200 on to the Reviewing Authority after completion of blocks 1-11.
3. Provide copy of all completed DD Forms 200 to warehouse manager.

02522 REVIEWING AUTHORITY

1. Designated in writing by the Approving Authority to review blocks 1-11 of DD Form 200 and complete **block 12**. This person is usually the Director of Physical Inventory.
2. May have final approval/disapproval of DD Form 200 when so delegated by the Approving Authority only for adjustments that are less than \$50,000; there is no evidence of theft, fraud, or negligence; or the item is not sensitive, classified, or pilferable.
3. When appropriate, passes DD Form 200 on to the Appointing Authority.

02523 APPOINTING AUTHORITY

1. Designated in writing by the Approving Authority to review the DD Form 200 for accuracy and compliance with policy. This person is usually the Inventory Accuracy Officer.

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2. Appoints a Financial Liability Officer or a Financial Liability Board, when circumstances allow, to conduct an investigation when fraud, theft, or negligence is suspected.
3. Completes **block 13** of DD Form 200. Provides final approval/disapproval for DD Form 200 when delegated to do so by the Approving Authority only for adjustments less than \$100,000; where theft, fraud, or negligence is not involved; and the item is not sensitive, classified, or pilferable.
4. The Appointing Authority may agree or disagree with the findings and recommendations as presented. If he/she agrees and there is no personal liability noted or recommended, the Appointing Authority will sign Block 13 and forward to the Approving Authority. If he/she does not agree or believes personal liability is suspect, he/she will make separate recommendations to the Approving Authority.

02524 APPROVING AUTHORITY

1. Reviews and approves/disapproves all DD Forms 200 for:
 - a. All unresolved adjustments for classified, sensitive, and pilferable items.
 - b. All unresolved adjustments due to theft, fraud, or negligence.
 - c. All other unresolved adjustments of \$100,000 or greater.
2. Completes **block 14** of the DD Form 200. This responsibility may be delegated to the Appointing Authority in accordance with paragraph 02523 above. The Approving Authority is usually the Commanding Officer.
3. The Approving Authority must have no direct accountability for the discrepant items.
4. Acts as Appointing Authority or designates one in writing.
5. Makes determination to either relieve involved individuals from responsibility and/or accountability or approve assessment of financial liability.
6. Forward all FLIPLs which demonstrate pecuniary liability due to theft, fraud, or negligence to the Judge Advocate/Counsel for review prior to taking final action.
7. Once finalized, forward all DD Forms 200 to the Causative Researcher for file.

02525 FINANCIAL LIABILITY OFFICER

1. Designated in writing by the Appointing Authority to perform an investigation to assign responsibility for gain, loss or damage when there are repetitive losses, evidence of fraud, theft or negligence, large dollar value losses, etc. This person shall be a commissioned/warrant officer, enlisted E-7 through E-9, a civilian GS-9 or above, or the Appointing Authority.
2. Shall not be the Accountable Officer or have any direct interest in the property being surveyed.
3. Function is investigative only (examines evidence, interviews witnesses, examines damaged material, etc.) and does not review or approve the DD Form 200. Reports the results of the

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investigation (findings and recommendations) to the Appointing Authority using **block 15** of the DD Form 200. Supports recommendations with actual facts.

4. Reports results of the investigation within 30 calendar days after completion of causative research. If delays are encountered and a report is not made within the 30 days, a written explanation for the delay will be provided to the Approving Authority.
5. Findings and recommendations are administrative and not judicial, therefore, the reports are purely advisory. The Financial Liability Officer's opinions do not constitute final determinations or legal judgements, and his/her recommendations are not binding upon the Appointing and Approving Authorities.
6. Exercises proper control over material recovered during the investigation.
7. Consults with the Appointing Authority, legal Counsel, Judge Advocate, or any other individual/officer, as appropriate.
8. Findings should sustain or refute the statements made in blocks 9 and 10 and any affidavits or certificates which are part of the report.
9. Provides the individual or activity involved with a copy of the DD Form 200 to inform them of their rights when gross negligence or personal responsibility is established.
10. The Financial Liability Officer is not relieved from duty until final action has been taken.

02526 FINANCIAL LIABILITY BOARD

1. Members are appointed by the Appointing Authority for the specific purpose of conducting the investigation with more resources that a single officer would be able to provide. Members shall be commissioned officers, warrant officers, enlisted E-7 and above, or civilian employees GS-9 and above.
2. The board is administrative and not judicial, therefore, the report of the board is strictly advisory and does not constitute final determinations or legal judgements, and their recommendations are not binding upon the Appointing and Approving Authorities. The primary purpose of the board is to assist the Financial Liability Officer in relieving the Commanding Officer from the administrative requirements involved.
3. Responsibilities are the same as those of the Financial Liability Officer (see paragraph 02525 above).

02527 ACCOUNTABLE OFFICER

1. Reviews all DD Forms 200 and completes **block 17**. This person is usually the Inventory Accuracy Officer (IAO). The Regional IAO at the FISC will oversee the partner sites and provide clarification and general guidance. In cases where a partner site does not have an IAO, the Regional IAO at the FISC will sign block 17 as the Accountable Officer, unless otherwise stated in the partnership agreement.
2. Oversees the maintenance and administration of the stock record accounts and ensures all inventory adjustments are documented.

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3. Reviews all DD Forms 200 and acts as project manager to identify/correct factors contributing to inventory inaccuracies.
4. Answers directly to the Commanding Officer and is independent of physical distribution functions.

SECTION III: ACCOUNTABILITY

02531 NO EVIDENCE OF PERSONAL RESPONSIBILITY

1. Unresolved discrepancies which indicate no personal responsibility must be documented by a DD Form 200. The research conducted during the FLIPL investigation is an extremely critical phase. The evidence and data presented in the causative research package and the impartial review by the Appointing Authority develop the actual facts and circumstances. For unresolved differences which indicate no personal responsibility, the FLIPL is utilized to relieve Accountable/Responsible Officers from accountability.

02532 EVIDENCE OF PERSONAL RESPONSIBILITY

1. Unresolved discrepancies which indicate evidence of personal responsibility must also be documented by a DD Form 200.

a. Criminal investigations must be initiated when research reveals evidence of theft. The Director, Naval Criminal Investigative Service will be notified as per reference (i) and criminal proceedings initiated.

b. When research indicates evidence of negligence or abuse and the alleged individual responsible does not admit responsibility, a Financial Liability Officer will be appointed and will work with the Accountable Officer to obtain and document the facts and circumstances of the gain or loss. The Financial Liability Officer will document all facts in a report for the Commanding Officer on whether or not an individual should be held responsible for the loss.

c. Legal counsel and the activity's Commanding Officer must be consulted before statements are taken from anyone, whether subject or witness.

d. If the individual involved is a military member, guidance should be obtained from the local Navy legal counsel or the Command's Staff Judge Advocate General.

e. If the individual involved is civilian, the cognizant civilian personnel office (in concert with the legal counsel) will provide guidance to determine the appropriate disciplinary action.

f. If the results of the criminal investigation have proven personal liability for theft of government property, the physical inventory adjustment (FIR Code M4) should be reversed. The DD Form 200 will then substantiate processing of a survey transaction (FIR Code M6), authorizing the write-off of material due to theft.

02533 APPROVAL LEVELS

1. Completed and approved FLIPLs are financial documents and will support entries made to storage activity records for adjusting discrepancies which were disclosed after causative

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2. research. Table 5 below illustrates the reviewing, appointing, and approval criteria, however, the Commanding Officer of the activity has full responsibility to ensure FLIPLs are completed as required.

DD FORM 200 REVIEW AND APPROVAL LEVELS

DD Form 200	Sensitive/ Pilferable/ Classified (All)	Items Involving Theft, Fraud, or Negligence (All)	All Others Exceeding CR Threshold (\$> \$16,000)
Block 11	Causative research analyst	Causative research analyst	Causative research analyst
Block 12 Reviewing Authority	Director, Physical Inventory	Director, Physical Inventory	Director, Physical Inventory (Note 1)
Block 13 Appointing Authority	Inventory Accuracy Officer	Inventory Accuracy Officer	Inventory Accuracy Officer (Note 2)
Block 14 Approving Authority	Commanding Officer (CO)	Commanding Officer (CO)	IAO; Supply/Wpns Officer; CO (Note 3)
Block 17 Accountable Officer	Inventory Accuracy Officer	Inventory Accuracy Officer	Inventory Accuracy Officer

Table 5

Note 1: When authorized by the Approving Authority, may approve adjustments for less than \$50,000 when theft, fraud, or negligence is not involved and item is not sensitive, classified, or pilferable.

Note 2: When authorized by the Approving Authority, may approve adjustments for less than \$100,000 when theft, fraud, or negligence is not involved and item is not sensitive, classified, or pilferable.

Note 3: When authorized by the Approving Authority, the IAO or the Supply/Weapons Officer may approve adjustments for less than \$100,000 when theft, fraud, or negligence is not involved and the item is not sensitive, classified, or pilferable.

02534 REPORTING REQUIREMENTS

1. Storage activities will forward copies of FLIPLs to the appropriate ICP, when requested, to support FIR captions. A copy of each FLIPL resulting from theft, fraud, or negligence will also be sent to the Security Officer at the activity.

02535 RETENTION OF ACCOUNTABLE DOCUMENTATION

1. Audit capability is required for a period of time following the processing of documents and data. It is necessary that records in support of inventories and actions directly affecting inventories be readily available to provide an audit trail to facilitate future inventory reconciliations, causative research, and FLIPLs.

2. All Navy Shore and Afloat activities will retain the following records:

a. Source documents which include only accountability change documents such as receipts, issues, shipments, transfers and condition code changes. Retain for at least two years.

b. Transaction ledgers will be retained for at least two years.

c. Physical inventory documentation which includes inventory counts, adjustments and reconciliation results. Retain for at least two years.

d. Causative research documentation and findings including back-up documentation that directly pertains to an individual physical inventory adjustment that was resolved and/or remains unresolved. Retain for two years.

e. FLIPLs (DD Forms 200) to substantiate all unresolved physical inventory adjustments equal to or greater than causative research threshold. Retain for two years.

SECTION IV: DD FORM 200 PREPARATION

02541 INSTRUCTIONS

Block	Name	Description
1	Date Initiated	Enter date DD Form 200 was initiated.
2	Inquiry	Enter investigation number, when applicable.
3	Date Discovered	Enter year, month, and day the loss/gain was discovered.
4	National Stock Number (NSN)	Enter NSN or part number of discrepant item.
5	Item Description	Enter item's nomenclature, serial and model numbers and security code. Describe item if nonstandard.
6	Quantity	Enter number of units and unit of issue (e.g., 2 dozen).
7	Unit Cost	Enter cost per unit from storage activity record.
8	Total Cost	Enter dollar amount (multiply block 6 by block 7).
9	Circumstances	Check relevant block (add "gain" when applicable). Enter complete statement of facts, answering "who", "what", and "how". Include date/place of incident; name, grade, social security number of person(s) involved. Add helpful data (e.g., transaction or contract numbers and identify as exhibit 1, exhibit 2, etc.).
10	Correction/ Preventative Actions	Enter recommendations to correct situation and prevent future occurrences. Include financial liability officer's suggestions when one has been appointed.
11	Signature	Enter name, address, DSN, signature/date signed of person who conducted causative research.
12	Reviewing Authority	Enter name, address, DSN, signature/date signed of person who reviewed blocks 1-11. When authorized, and there is no suspicion of theft, fraud, or negligence, or the item is not sensitive, classified, or pilferable, may be final approval for adjustments that are less than \$50,000.
13	Appointing Authority	Enter name, address, DSN, signature/date signed. When authorized, and there is no suspicion of theft, fraud, or negligence, and the item is not sensitive, classified, or pilferable, may be final approval for adjustments that are less than \$100,000.

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Block	Name	Description
14	Approving Authority	Enter name, address, DSN, signature/date signed. Must sign all DD Forms 200 when there is suspicion of theft, fraud, or negligence; or the item is sensitive, classified, or pilferable; or the adjustment is \$100,000. or greater. Otherwise, the Approval Authority may be delegated to the Appointing Authority.
15a	Findings	Enter findings and recommendations only when evidence of fraud, theft, or negligence is obtained.
15b	Dollar Value	Use standard price of item to determine amount of loss or gain. (Complete only when evidence of fraud, theft, or negligence is obtained.)
15c	Monthly Basic Pay	To be completed by supervisor of individual charged, when appropriate.
15d	Financial Liability	To be completed by Financial Liability Officer, when appropriate.
16	Individual Charged	To be completed by Financial Liability Officer, when appropriate.
17	Accountable Officer	Enter name, address, DSN, signature/date signed. Enter document number of adjusted transaction.

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CHAPTER 3

LOCATION AUDIT PROGRAM

Part A: LOCATION SURVEY REQUIREMENTS

Section I: GENERAL GUIDANCE

03111 DISCUSSION

1. Location surveys are a vital part of maintaining high inventory integrity at the storage activities. The Real Time Inventory Counting (RTIC) program offers an automated means of conducting random sampled as well as 100% location surveys. This program should be available at all Navy activities operating under UADPS. Location survey procedures for naval shipyards are described in Chapter 9.
2. Location surveys will be conducted for all locations at least once every three fiscal years. To ensure this requirement is fulfilled, activities should develop a three year location survey plan. The plan should be updated whenever a warehouse/warehouse area undergoes a 100% survey due to failing a sample location survey. A 100% physical inventory of a warehouse/warehouse area satisfies the location survey requirement for that area; however, location survey statistics must still be reported.
3. Activities will maintain a 98% accuracy rate for location surveys regardless of which method is used (100% location survey or statistical sampling method). A warehouse/warehouse area failing to meet the required accuracy rate will be required to have a 100% location survey (or physical inventory) completed within the next 90 days.
4. Locations permanently reserved for items with special configurations or other unique item requirements found unoccupied during the location survey will be verified as required, but will be excluded when determining location survey errors.
5. A location survey will be conducted in both the gaining and losing storage areas following the accomplishment of rewarehousing. Rewarehousing actions should be suspended and material movement limited in the area under survey. Any essential movement of material must be coordinated with location survey personnel. A location survey conducted as a result of rewarehousing projects may be considered to have satisfied the annual survey requirement for the area surveyed.
6. Location survey discrepancies must be corrected within 10 working days after completion of the survey.

03112 LOCATION SURVEY PREPARATION

1. The proper sequence of performing a location survey requires the comparing of assets in storage locations with locator records in order to detect assets stored in unrecorded locations.
2. Items within a lot/segment which have been subject to a complete item inventory will be considered to have satisfied the annual survey requirement when the entire lot/segment is located in a clearly designated, coterminous warehouse space. These inventoried

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lots/segments may be excluded from the complete survey for the fiscal year in which they were counted; however, the location survey performance statistics will be reported in the Inventory Control Effectiveness (ICE) report.

3. In preparing for the location survey, inventory personnel at the storage activity will:
 - a. Develop, in coordination with warehousing personnel, an annual plan for location surveys ensuring that all locations are surveyed, or subject to sample survey, during the fiscal year.
 - b. Determine manpower requirements, equipment and supplies needed.
 - c. Prepare a schedule, which identifies the start date and completion date of the location surveys by warehouse, or warehouse area.
 - d. Provide for training of individuals who will accomplish the location survey. Personnel should understand safety and security requirements and be qualified to identify storage deficiencies (e.g., unidentified stock, honeycombing, mixed stock, etc.).
 - e. In order to gain efficiencies and reduce interrupted service to customers, location surveys should be performed in easily manageable lots or segments.

03113 TYPES OF LOCATION SURVEY ERRORS

1. There are three types of location survey errors. They are defined as follows:
 - a. Type I - Locator record deleted. The removal or change of a locator record when there is a recorded location but there are no physical assets, unless the location is being held open for new receipts.
 - b. Type II - Locator record established. The recording of locations when assets are physically found in storage and no locator records exist, or when the recorded stock number disagrees with the material in the location.
 - c. Type III - Locator record corrected. Changes to the locator record when physical material characteristics differ from any of the following data elements: (1) unit of issue, (2) supply condition code, (3) controlled inventory item code, or (4) type of pack code (for subsistence only).
2. To measure the accuracy of the results of the location survey, discrepancies will be classified in one of the three categories listed above. Only one error per stock number per location is charged when Type I, II, or III errors are found for the same location. When the stock number and actual assets differ, the discrepancy will be classified as a locator establishes action only.

Section II: LOCATION SURVEY PROCEDURES FOR REAL TIME INVENTORY COUNTING (RTIC)

03121 PREPARATION

1. RTIC is a Windows based application that runs on the HP 9000 in conjunction with IBM. It can be accessed by using the mouse and double clicking on the "frog" icon on the main

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Windows screen. This section provides the basic procedures for performing a location survey using the RTIC program. A more detailed description of the location survey function within RTIC may be found in the RTIC Study Guide, dated July 1999. Copies of this Study Guide may be obtained by contacting FMSO, Code 9524.

2. Location surveys may be accomplished by using a hand held device or by inputting information into a personal computer by keyboard. User ID's are required for performing location surveys as RTIC maintains statistics on individuals performing location surveys.
3. Data is kept in RTIC for one year. Data that is one year old or more will be automatically purged after the ICE report is run. RTIC produces various reports that are discussed in paragraph 03123 below.
4. Once in RTIC, load data for a particular site code into the RTIC database. Any records that do not pass validation or were duplicate items already being surveyed will be displayed on the RTIC Invalid Report.
5. To assign survey records to a user(s), the site code and serial number must be entered. Then select the number of records (up to 300) to be assigned to a particular user. Select the user id to perform the survey. Once all records are assigned to an individual(s), a Complete Survey Assignment will be displayed.
6. If using a hand held device, download the surveys to the Personal Computer Memory Card International Association (PCMCIA) card on the personal computer. Once survey records are downloaded to the card, remove card from personal computer and insert into the hand held device.
7. If hand held devices are not used, survey results may be manually input into the personal computer by selecting the Manual Input Survey option from the LS Tasks menu.

03122 PERFORMING LOCATION SURVEYS

1. If using a hand held device, follow the steps below:
 - a. Turn device on and insert the PCMCIA card with the downloaded survey records into the slot. Type "g:" and press the ENTER key. At the "g:\n" prompt, type "surv" and press the ENTER key.
 - b. At the Main Menu, select "1. PERFORM SURVEYS" and press the ENTER key. You will then need to input your User ID and password.
 - c. The Survey Menu screen will appear that shows how many incomplete records there are for that survey id number. Select "1. SURVEY ID" to begin or continue the current survey.
 - d. The location to be surveyed will be displayed. Proceed to the location displayed on the screen and select the appropriate menu option. Perform the appropriate action(s) depending on the selected menu option.
 - e. Material found in a location will be verified for unit of issue, purpose code, condition code, security code, and shelf life code. If any of the item characteristics do not match what is displayed on the screen, press "2. NOT FOUND" to go to the Remark Code screen. Select

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the characteristic that is discrepant and press the ENTER key.

f. Material found in a location not displayed on the hand held device may be recorded by using the "HANDSCRIBE" option on the Location screen. The following data must be input for the handscribe process: location, NIIN, purpose code, and condition code.

g. Once all locations on the PCMCIA card have been surveyed, the message "ALL SURVEYS COMPLETE!" will be displayed on the screen. Press any key to return to the Survey Menu. To review completed survey data, select "2. REVIEW DATA" and press the ENTER key.

h. If any of the data being reviewed under the "REVIEW DATA" option is found to be incorrect, the data can be modified by typing an "M" and selecting the characteristic that needs to be updated. If a handscribe was previously input and found to be in error, it may be deleted by typing a "D".

i. There is a "SEARCH" option on the Data Review screen where you may perform a search of a particular NIIN or location.

j. Once all surveys are completed and reviewed, an upload file must be created by selecting "2. PREPARE UPL FILE" from the Main Menu. Once the upload file is created, the download file is erased and no more changes can be made to the survey records.

k. Exit the program and return to the "c:\:" prompt before removing the card from the slot. Remove the card before turning the unit off.

l. The PCMCIA card must then be inserted into the personal computer and uploaded to the RTIC database by selecting "Upload Scanner" option from the LS Tasks menu. A message will be displayed once the upload is complete. The upload file will automatically be erased from the PCMCIA card once the upload is complete.

2. If not using a hand held device, follow the steps below:

a. Print a manual listing from RTIC for use in performing the location surveys. The listing should be annotated with any necessary changes and/or additions. A check mark will be placed beside each line item on the listing that has no discrepancies. Annotate the listing with "NS" (no stock) when a record quantity is indicated and no corresponding material is in the location.

b. The user must then select the "Manual Input Survey" option from the LS Tasks menu to manually input the location survey results into the RTIC program. The site code, serial number, and survey ID must be entered prior to updating the survey records.

c. Select the appropriate box to the right of each row of locations displayed. A Remark Code must be entered for any NIINs not found (this includes any discrepant characteristics that were found).

d. Click on "Update" to update the records to the database. After the updates for the particular survey id is complete, surveys for other ID's may be completed and updated.

e. Handscribes may also be input under the “Add Handscribe” option from the LS Tasks menu. Click on “Update” to update the records to the database after inputting the handscribe data.

03123 COMPLETING THE LOCATION SURVEYS

1. When surveys are completed, select the “Close Out” option from the LS Tasks menu. The Close Out process will delete all of the individual survey records and put them in a historical file. Input the site code and serial number of the survey and press the ENTER key. The number of surveys and the number completed will be displayed on the Close Out window. There are four reports available for selection on the Close Out window that summarizes location survey statistics. They are:

a. Audit Summary Report. This report shows the same type of information as the Inventory Control Effectiveness (ICE) Report, but only for one serial number. A sample report is provided at Figure 1.

b. Incomplete Survey Report. This report displays the records in the survey that have not been completed in the audit process. The data is displayed for a particular site code and serial number. A sample report is provided at Figure 2.

c. Matching Records Report. This report displays all completed records that are not discrepant for the specified site code and serial number. A sample report is provided at Figure 3.

d. Discrepancy Report. This report displays a list of discrepant survey records for the specified site code and serial number. A sample report is provided at Figure 4.

2. RTIC also provides other location survey reports for management review. They may be selected under the LS Reports menu. The additional reports are as follows:

a. Survey ID Report. This report shows the status of records assigned to a given survey id. A sample report is provided at Figure 5.

b. Serial Number Summary Report. This report provides the status of how many survey records are complete as well as the percent complete for each serial number for a given site code. A sample report is provided at Figure 6.

c. ICE Report. This report displays the data required for the DOD ICE Report. The report may be calculated on a quarterly basis, cumulative throughout the current fiscal year, or previous year total. It includes data for all completed surveys during the designated time frame. A sample report provided by RTIC is provided at Figure 7.

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Location Audit Program

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8/3/99	Location Survey Audit Summary	Page 1 of 1
Site Code: OC	Serial Number: 9134	
<p align="center">LOCATION RECORDS TO BE AUDITED = 214 Location records with ZERO BALANCE set = 47 LOCATION RECORDS AUDITED = 51 PERCENT COMPLETE = 23.83%</p>		
AUDIT RESULTS TO-DATE:		
<p align="center">VALID Location records with MATERIAL ON-HAND = 37 VALID location records with ZERO BALANCE set = 12 VALID LOCATION RECORDS = 49 NEW LOCATION records (Survey Code A) = 0 HANDSCRIBE records (Survey Code A) = 0 CONDITION Code records (Survey Code C) = 0 UNIT of ISSUE records (Survey Code U) = 0 LOCATIONS not found (Survey Code F) = 0 LOCATION RECORDS WITH ERROR = 0 MATERIAL ON-HAND/MSIR BALANCE ZERO (Survey Code Z) = 1 MATERIAL NOT FOUND/MSIR BALANCE (Survey Code M) = 1 SECURITY code records (Survey Code P) = 0 SHELF LIFE records (Survey Code S) = 0 LOCATION RECORDS WITH MATERIAL VARIANCES = 2 TOTAL LOCATION RECORDS AUDITED = 51 PERCENT OF ACCURACY = 100.00%</p>		

Figure 1

8/3/99	Location Survey Incomplete Survey Report	Page 1 of 2				
Site Code: BL	Serial Number: 9100					
FSC	NIIN	CC	PC	UI	Location	Message
2372	000142384	A	A	EA	452000174	Assigned
8967	000239472	A	A	CY	452002349	Assigned
7547	001724176	A	L	EA	452002347	Assigned
8923	104917481	A	A	CY	452002349	Assigned
4458	104917481	A	A	EA	452010922	Assigned
8823	112987429	A	A	EA	452020847	Assigned
1289	184712834	A	A	EA	452009834	Assigned
6530	534386548	A	A	HD	452010341	Assigned
6734	554267374	A	A	DZ	452000349	Assigned
1178	567213810	A	A	EA	452001242	Assigned

Figure 2

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Location Audit Program

8/3/99		Location Survey Matching Records Report				Page 1 of 1	
Site: BL		Ser Nr: 9100					
-----Locations-----							
FSC	NIIN	CC	PC	Primary	Secondary	Tertiary	
3563	656865764	A	A	452002834			
8812	LL4274623	A	A			120238734	

Figure 3

8/3/99		Location Survey Discrepancy Report				Page 1 of 1	
Site Code: BL		Serial Nr: 9100					
FSC	NIIN	CC	PC	UI	LOCATION	MESSAGE	
1123	662738123	A	A	EA	452008347	Material Found/Zero Bal	
1274	213174396	A	A	EA	452000213	Condition Code	

Figure 4

8/3/99		Location Survey Survey Id Report				Page 1 of 3			
Site Code: BL		Serial Number: 9100				Survey Identifier: 2			
FSC	NIIN	CC	PC	UI	Location	Zero	Matl	User	Date
6510	654634656	A	A	GR	452010934	Z		ZM00769	
3563	656865764	A	A	EA	452002834		Y	ZM00769	7/5/99
	659001998	A	A		45200101A		Y	ZM00769	7/5/99
1123	662738123	A	A	EA	452008347	Z	Y	ZM00769	7/5/99
9981	948015610	A	A	PG	456009472	Z		ZM00769	

Figure 5

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8/3/99	Location Survey Serial Number Summary		Page 1 of 1
Site Code: BL			
	Serial Number	Number of Surveys	Number Complete
	9097	16	0
	9100	22	4
			Percent Complete
			0.00%
			18.18%

Figure 6

INVENTORY CONTROL EFFECTIVENESS - LOCATION SURVEY SECTION		
NAVSUP REPORT DD-M(Q) 935		PAGE 1 OF 1
FROM: NAS OCEANA		8/3/99
Cumulative	REPORT DATES: 10/1/98 THRU 8/3/99	
<u>ITEM</u>	<u>LOCATION/ITEM DATA</u>	<u>TOTALS</u>
1.	LOCATION SURVEY REQUIREMENT	12346
2.	TOTAL STOCK ITEMS CARRIED	15239
3.	NUMBER OF STOCK ITEMS HAVING MORE THAN ONE LOCATION	1340
4.	NUMBER OF LOCATIONS PER ITEM	0.81
	<u>LOCATION SURVEY DATA</u>	
5.	LOCATIONS SURVEYED	767
6.	NUMBER OF LOCATIONS WITH ERRORS	46
7.	LOCATION SURVEY ACCURACY	94.00%
	<u>LOCATION ERRORS</u>	
8.	MATERIAL FOUND IN UNRECORDED LOCATION	39
9.	CONDITION CODE	4
10.	UNIT OF ISSUE	3
11.	LOCATIONS DELETED	0
12.	TOTAL LOCATION ERRORS	46
	<u>RECORD VARIANCES</u>	
13.	MATERIAL FOUND IN WAREHOUSE/ZERO MSIR BALANCE	33
14.	NO MATERIAL FOUND IN WAREHOUSE/MSIR BALANCE	33
15.	PHYSICAL SECURITY/PILFERAGE	4
16.	SHELF LIFE	2
17.	TOTAL VARIANCES	72

Figure 7

03124 REPORTING REQUIREMENTS

1. RTIC activities are required to provide quarterly and cumulative location survey data to NAVICP for inclusion into the ICE Report within 15 days following the end of each quarter. NAVICP will consolidate and provide all location survey results on the ICE report to NAVSUP 4B1 within 60 calendar days following the end of each quarter/year.

Section III: LOCATION SURVEY PROCEDURES FOR MANUAL AND NON-UADPS ACTIVITIES

03131 PREPARATION

1. Determine number of locations to be surveyed and obtain location survey cards and/or listings. Cards will be in location sequence, whereas the listing can be in NIIN or location sequence.
2. Controls will be established to ensure that all location survey cards and listings are returned with deficiencies annotated.

03132 PERFORMING LOCATION SURVEYS

1. The following data will be verified during the location survey:
 - a. Location
 - b. Stock Number
 - c. Condition Code (condition code on property accountability record should be compared to condition code marked on DD Form 1574, MILSTD Tag 129, and/or on boxes/containers).
 - d. Unit of Issue
 - e. Security Code (if applicable)
 - f. Shelf Life Code (if applicable)
2. A check mark will be placed on the face of the location survey card or listing when all data are in agreement.
3. Annotate the face of the card or listing with "NS" (no stock) when a record quantity is indicated and no corresponding material is in the location. Special care must be exercised to ensure this coding is correct in those instances where activities have multi-purpose coded stocks and 9 cog and alpha-alpha cogs co-located.
4. Circle data on location survey card or listing that are not in agreement with data on material. Annotate the data shown on the material on the face of the card.
5. Review material in storage for such discrepancies as:
 - a. Mixed stock (usually "material found in unrecorded location", except when there is mixed stock in a container and both are on property accountability record).
 - b. Unidentified stock (unlabeled/unmarked stock).
 - c. Illegible markings.
 - d. Honeycombing.

- e. Missing set identification.
 - f. Improperly stored or stacked material.
 - g. False locations.
6. Annotate storage discrepancies identified above on location survey card or listing.
7. Prepare a hand-written location survey card or annotate listing to indicate location, NSN, U/I, CC, Security Code, Shelf Life Code (if applicable), part number and description (if applicable), in those cases where material exists at a location but there was no location survey card provided or no location shown on the location survey listing.

03133 COMPLETING THE LOCATION SURVEYS

1. Determine if there were location change actions in process at the time of the location survey. Compare these location change actions with location adds or location deletes identified during the location survey. If there is a location change, do not count the location add or location delete as an error.
2. Process hand-written location survey cards as follows:
- a. Determine if the stock number on the material is on property accountability records. If so, record the location on the accountability record, and initiate an unscheduled inventory to update the on-hand record balance. If there is no stock number on the material, or the stock number is not on the property accountability record and validity of the stock number cannot be determined, request appropriate technical assistance to determine correct stock number and establish the property accountability record.
 - b. Initiate and establish location updates for all material found in unrecorded locations. Delete those locations annotated as false locations.
3. Stock number or condition code errors should be checked by a qualified inspector and if verified as incorrect, prepare condition code or stock number transfer as appropriate.
4. If the NSN or unit of issue on material or material placard does not match the property accountability record, determine the correct data by research of:
- a. Management List - Navy (ML-N) published by the Defense Logistics Services Center (DLSC) or
 - b. Catalog Management Data Notification (CMDN) published by DLSC.
5. When there are mismatches in the unit of issue that may result in a quantity variance initiate an unscheduled inventory.
6. When material is found in the warehouse, but the property accountability record indicates a zero balance (i.e., no material on-hand), research to determine if infloat transactions (e.g., an in process receipt, etc.) would account for the material. If infloat transactions do not account for the material, initiate an unscheduled inventory to resolve the potential gain.

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7. When material is not found in the warehouse, but the property accountability record indicates a quantity, research to determine if infloat transactions or other locations would account for the difference. If material cannot be accounted for, initiate an unscheduled inventory to resolve the potential loss.
8. Controls will be established to ensure that all required corrective actions are completed within ten working days of the discovery of the error.
9. Accumulate data for reporting purposes on the location survey listings. Prepare a similar listing for hand-written location survey cards.
10. Forward the deck of location survey cards or a listing of errors and storage deficiencies to warehousing personnel and request correction of these errors. First line supervisors in affected areas will ensure errors are corrected within ten working days of the discovery of the error.

03134 REPORTING REQUIREMENTS

1. Results of the manual location surveys should be tabulated and provided in the same format found at Figure 7 in Section II above. The Location Survey Report will be provided on a quarterly basis by the 15th calendar day following the end of a quarter. A cumulative fiscal year report will also be provided within 15 calendar days following the end of the fiscal year.

PART B: LOCATION RECONCILIATION PROCEDURES

Section I: LOCATION RECONCILIATION PROCEDURES FOR STORAGE ACTIVITIES OF NAVY WHOLESALE MATERIAL WITH NAVY ICP

03211 PURPOSE

1. The purpose of the location reconciliation is to reconcile locations of Navy wholesale inventories between the activities storing Navy wholesale assets and the Naval Inventory Control Point (NAVICP) to determine if the following type of errors exist:

- a. Type I - Master Data File (MDF) record (ICP record) that has a positive quantity balance but no corresponding storage activity record for each designated purpose and condition code.
- b. Type II - Storage activity record that has a positive quantity balance but no corresponding MDF record for each designated purpose and condition code.
- c. Type III - Quantity discrepancies between the MDF record and the storage activity record.
- d. Type IV - Catalog data discrepancies.

2. The NAVICP and the storage activities will reconcile their records for all Navy wholesale inventories (active and inactive, including zero balances) at least once each fiscal year.

3. NAVICP and storage activities will maintain a 98% accuracy rate for location reconciliations. Calculation of this rate can be obtained by the formula below. Total non-processable errors and total records reconciled are calculated using the worksheet at paragraph 03217.

$$1 - (\text{Total Non-Processable Errors} / \text{Total Records Reconciled}) \times 100$$

4. Location reconciliations will not be required with the establishment of single shared asset balances.

03212 ESTABLISHING A SCHEDULE

1. NAVICP will prepare a schedule which establishes the cutoff date on which storage activities will transmit DIC DZA transactions to the NAVICP for all NAVICP managed items (by NSN and purpose/condition code) that are carried on the storage activity's records.

2. NAVICP will provide this schedule to storage activities at least one month prior to the beginning of the fiscal year, with a copy to NAVSUP 4B1 and the storage activity's major command.

3. NAVICP will provide the storage activities with a notice of impending location audit reconciliation and any pertinent procedural instructions, one month prior to the assigned reconciliation cutoff date.

03213 INITIATING THE LOCATION RECONCILIATION PROCESS

1. Storage activities will generate DZA transactions as of the close of business on the scheduled cutoff date. UADPS stock points will use the H-UB48 program to generate the above output. Stock points will include only those cogs managed by or TIR'd to the requesting ICP.
2. Storage activities will notify the NAVICP by message if specified time frames cannot be met. Storage activities will also notify the NAVICP of the cutoff date, media for sending DZA transactions, and the record count of DZAs sent.
3. NAVICP will monitor transmittal of transactions to insure they are forwarded within the time frames specified.
4. NAVICP will run the location audit reconciliation programs as soon as ADP processing permits after receipt of the DIC DZAs from the storage activity, but must be accomplished within one week.

03214 CORRECTION OF LOCATION AUDIT RECONCILIATION ERRORS

1. Type I errors:

- a. NAVICP will:

- (1) Submit DIC BCR (Request for Reconciliation) to storage activity for these errors unless another format for requesting this information is mutually agreed to by the NAVICP and the storage activity. BCRs should not be forwarded for records which created non-prosecutable errors.

- (2) Establish a suspense file to monitor storage activity responses and to initiate follow-up actions as necessary.

- b. Storage activities will:

- (1) Process DIC BCRs. DIC DZA responses will be transmitted to the ICP. If the missing record cannot be located or reconstructed, storage activities will advise ICPs by annotating the DIC DZA with a zero in the quantity field. If the item is carried under a cog not managed by the ICP, the storage activity record cog will be annotated on the DIC DZA and returned to the ICP.

- (2) DZA responses to BCRs must contain an "R" in cc 72 to clear the reconciliation suspense file.

- c. Upon receipt of the storage activity's response, the ICPs will:

- (1) Delete the item from the suspense file if the DIC DZA and the ICP record match. No further action is required.

- (2) Adjust the ICP record to agree with the DIC DZA quantity:

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a. When the dollar value of the DIC DZA/ICP record discrepancy is less than or equal to the dollar value threshold established in the business plan for research of unreconciled balances (URBs), no further manual action is required.

b. When the dollar value of the DIC DZA/ICP record discrepancy is greater than the dollar value threshold established in the business plan for research of URBs, research for duplicate, rejected or late TIRs, etc..

1. If the quantity discrepancy can be resolved, ICPs operating under the "UICP" system will process corrected TIRs to remove the quantity in question from the URB file.

2. If the discrepancy cannot be resolved through this effort, the ICP and the storage activity history should be reviewed to determine if the error is due to missing TIRs. If the discrepancy remains unresolved after this effort, the ICP will request a physical inventory in order to perform manual URB write-off.

3. If the item is classified, storage activity will initiate an investigation and coordinate completion of a Missing, Lost, Stolen, or Recoverable (MLSR) report with the ICP.

b. Type II:

(1) ICPs will:

a. Establish activity trailer and MDF asset balance to agree with DIC DZA quantity.

b. Follow the procedures to resolve URBs as stated in paragraph 03214.1 above.

c. Notify the storage activity if action is required to resolve discrepancies or recover missing transactions.

(2) Storage activity will:

a. Take appropriate action to resolve discrepancies or recover missing transactions, per the ICP's request.

b. If the item is classified, storage activity will initiate an investigation and coordinate completion of a MLSR report with the ICP.

c. Type III:

(1) ICPs will adjust the ICP record to agree with the DIC DZA quantity by following the procedures to resolve URBs in paragraph 03214.1 above.

(2) Storage activity will resolve discrepancies or recover missing transactions, per the ICP's request. If the item is classified, storage activity will initiate an investigation and coordinate completion of a MLSR report with the ICP.

d. Type IV:

(1) Error Code A.

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a. Definition - Invalid Acquisition Advice Code (AAC) or Material Control Code is "A". AAC in Master Data File (MDF) is F, G, H, I, L, N, O, Q, T, W, or numeric.

b. Storage activity action - DZB cards have been generated to post the appropriate change notice action to the Master Stock Item Record (MSIR); therefore, no manual action is required. Ensure change notice has been completed by "DZB" processing.

(2) Error Code AB.

a. Definition - Invalid cog. ICP only has catalog interest in item - no inventory management responsibility.

b. Storage activity action - DZG has been generated; ensure correction has been posted to MSIR.

(3) Error Code AD.

a. Definition - NIIN not recognized by MDF, Technical Reference File (NAVICP-P only), Old NIIN File (ONF), or Program Support Interest (PSI) File.

b. Storage activity action - DZG has been generated; ensure correction has been posted to MSIR.

(4) Error Code AE.

a. Definition - Invalid character(s) in TIR quantity field.

b. ICP action - Research the error and resubmit the DZA for processing. (Note: this action may be passed to the storage activity at the discretion of the ICP.) If the ICP performs the research, they will notify the storage activity if MSIR review/correction is required.

c. Storage activity action - Perform research and correct the error (and MSIR) when instructed to do so by the ICP.

(5) Error Code AK.

a. Definition - Invalid purpose code.

b. ICP action - Research the error and resubmit the DZA for processing. (Note: this action may be passed to the storage activity at the discretion of the ICP.) If the ICP performs the research, they will notify the storage activity if MSIR review/correction is required.

c. Storage activity action - Perform research and correct the error (and MSIR) when instructed to do so by the ICP.

(6) Error Code AM.

a. Definition - Invalid condition code.

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b. ICP action - Research the error and resubmit the DZA for processing. (Note: this action may be passed to the storage activity at the discretion of the ICP.) If the ICP performs the research, they will notify the storage activity if MSIR review/correction is required.

c. Storage activity action - Perform research and correct the error (and MSIR) when instructed to do so by the ICP.

(7) Error Code AR.

a. Definition - Invalid unit of issue.

b. ICP action - Research the error and resubmit the DZA for processing. (Note: this action may be passed to the storage activity at the discretion of the ICP.) If the ICP performs the research, they will notify the storage activity if MSIR review/correction is required.

c. Storage activity action - Perform research and correct the error (and MSIR) when instructed to do so by the ICP.

(8) Error Code B.

a. Definition - NIIN in ONF under wrong cog (RA/RD change notice applies), or NIIN in ONF under a local cog (MA change notice applies).

b. Storage activity action - DZB cards have been generated to post the appropriate change notice action to the MSIR. Ensure corresponding actions are taken in accordance with reference (m).

(9) Error Code C.

a. Definition - NIIN in ONF under wrong cog (RL change notice applies), or NIIN in ONF under a local cog (ML change notice applies).

b. Storage activity action - DZB cards have been generated to post the appropriate change notice action to the MSIR. Ensure corresponding actions are taken in accordance with reference (m).

(10) Error Code D.

a. Definition - NIIN in ONF under wrong cog (MA/MO/ML/M4/DM/DN/DO or DQ change notice applies).

b. Storage activity action - DZB cards have been generated to post the appropriate change notice action to the MSIR. Ensure corresponding actions are taken in accordance with reference (m).

(11) Error Code DR.

a. Definition - NIIN is on the PSI or MDF after being logistically reassigned (cogs 9_, 5_, 3C, 3G, 3N, or 3Z apply).

b. ICP action - Notify the storage activity if MSIR review/correction is required.

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c. Storage activity action - Review/correct MSIR when notified by ICP.

(12) Error Code E.

a. Definition - Cog on DZA does not agree with cog on MDF, but is under ICP inventory management.

b. Storage activity action - DZB cards have been generated to post the appropriate change notice action to the MSIR. Ensure corresponding actions are taken in accordance with reference (m).

(13) Error Code F.

a. Definition - Federal Supply Class (FSC) on DZA does not agree with MDF, therefore, the FSC on the MDF will be used.

b. Storage activity action - DZB cards have been generated to post the appropriate change notice action to the MSIR. Ensure corresponding actions are taken in accordance with reference (m).

(14) Error Code G.

a. Definition - Special Material Identification Code (SMIC) on DZA does not agree with MDF, therefore, the SMIC on the MDF will be used.

b. Storage activity action - DZB cards have been generated to post the appropriate change notice action to the MSIR. Ensure corresponding actions are taken in accordance with reference (m).

(15) Error Code H.

a. Definition - MCC is invalid, and not equal to "A", therefore, MCC on the MDF will be used.

b. Storage activity action - DZB cards have been generated to post the appropriate change notice action to the MSIR. Ensure corresponding actions are taken in accordance with reference (m).

(16) Error Code J.

a. Definition - Unit price on DZA is invalid, therefore, unit price on MDF will be used.

b. Storage activity action - DZB cards have been generated to post the appropriate change notice action to the MSIR. Ensure corresponding actions are taken in accordance with reference (m).

(17) Error Code K.

a. Definition - NIIN in ONF under a local cog (DM change notice applies).

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b. Storage activity action - DZB cards have been generated to post the appropriate change notice action to the MSIR. Breakdown material into individual parts and ensure corresponding actions are taken in accordance with reference (m).

(18) Error Code L.

a. Definition - NIIN in ONF under a local cog (DN change notice applies).

b. Storage activity action - DZB cards have been generated to post the appropriate change notice action to the MSIR. Subsequent material turn-ins should be locally disposed of and corresponding actions taken in accordance with reference (m).

(19) Error Code M.

a. Definition - NIIN in ONF under a local cog (DQ change notice applies).

b. Storage activity action - DZB cards have been generated to post the appropriate change notice action to the MSIR. Ensure corresponding actions are taken in accordance with reference (m).

(20) Error Code N.

a. Definition - NIIN in ONF under wrong cog (RF/RP change notice applies), or NIIN in ONF under a local cog (DO change notice applies).

b. Storage activity action - DZB cards have been generated to post the appropriate change notice action to the MSIR. Ensure corresponding actions are taken in accordance with reference (m).

(21) Error Code 1.

a. Definition - NIIN matched to NIIN in ONF (RA/RD change notice applies).

b. Storage activity action - DZB cards have been generated to post the appropriate change notice action to the MSIR. Ensure corresponding actions are taken in accordance with reference (m).

(22) Error Code 2.

a. Definition - NIIN in ONF under a local cog (RL change notice applies).

b. Storage activity action - DZB cards have been generated to post the appropriate change notice action to the MSIR. Ensure corresponding actions are taken in accordance with reference (m).

(23) Error Code 4.

a. Definition - Security classification invalid (does not apply if rp 77 of DZA is blank and MDF shows "U").

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b. Storage activity action - DZB cards have been generated to post the appropriate change notice action to the MSIR. Ensure corresponding actions are taken in accordance with reference (m).

(24) Error Code 5.

a. Definition - Unit of issue matches former unit of issue, however, quantity was converted to new unit of issue.

b. Storage activity action - DZB cards have been generated to post the appropriate change notice action to the MSIR. Ensure corresponding actions are taken in accordance with reference (m).

(25) Error Code 43.

a. Definition - Duplicate DZA; the other DZA was processed.

b. Storage activity action - take appropriate action to delete duplicate DZAs.

(26) Error Code 44.

a. Definition - Multiple DZA cards received with different quantities.

b. ICP action - Research the error and resubmit DZA for processing. Notify the storage activity when MSIR review/correction is required.

c. Storage activity action - Review/correct MSIR when notified by ICP.

6. NAVICP will review stock point responses, initiate corrective actions, issue disposal orders (if appropriate) and clear suspense files as the actions in paragraph 5 are completed. NAVICP will ensure that the storage activities complete corrective actions required as a result of the location reconciliation process.

03215 RECORD RETENTION

1. The NAVICP and the storage activities for the purpose of trend analysis will retain statistics on the number of errors, by category and activity, for five years.

03216 REPORTING REQUIREMENTS

1. All location reconciliation results for Navy owned material will be reported by NAVICP on the quarterly ICE Report as required by Chapter 8. The quarterly ICE report will be provided to NAVSUP 4B1 within 60 days following the end of a quarter. NAVICP will provide a written narrative explaining why the goal was not met for any activity in which a location reconciliation was performed during that quarter. An explanation of corrective actions will also be provided with the written narrative.

2. NAVICP shall report program problems that prevent location reconciliations from being accomplished to NAVSUP 4B1.

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3. NAVICP will provide a report to the storage activities that lists the DZAs with errors that were generated by the location reconciliation as well as a summary of all the errors. The report will also provide corrective actions to be taken by the storage activities.

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03217 LOCATION RECONCILIATION WORKSHEET

ACTIVITY: _____ RIC: _____

DZA RECON DATE: _____ RECON (Since Restart): _____
(1st/2nd/etc.)

NON-PROCESSABLE ERRORS

- 1. Type I errors (MDF>0, no DZA received)
(Same as line) _____
- 2. Type II errors (# of stock point records with
positive on-hand quantity and no ICP record) _____
- 3. Type III errors (# of ICP/stock point quantity
mismatches) _____
- 4A. Type IV errors (error codes AD, AE, AK, AM, AR,
B, C, D, K, L, M, 1, 2, 44) _____
- 4B. Less "AD" errors on ONF/PSI _____
- 4C. Net Type IV errors (4A - 4B) _____
- 5. Total errors (1 + 2 + 3 + 4C) _____

Note: Processable errors are not considered since they are corrected systematically and no manual intervention is required.

TOTAL RECORDS RECONCILED

- 6A. DZAs procesed from storage activity _____
- 6B. Less error code "1" _____
- 6C. Net DZAs processed (6A - 6B) _____
- 7A. BCRs generated from ICP to storage activity _____
- 7B. Less error codes AE, AK, AM, AR, and 44 _____
- 7C. Net BCRs to be researched by storage activity _____
- 8. Type IV non-processable errors (same as line 4A) _____
- 9. Total records reconciled (6C + 7C + 8) _____
- 10. Error codes N and 43 (info only) _____

11. Line 5 _____ / Line 9 _____ = _____ X 100 = _____ %
(4 decimals)

12. Current year accuracy rate: 100 - result of line 11 = _____ %

Date Prepared: _____

Completed by: _____

SECTION II: LOCATION RECONCILIATION PROCEDURES FOR NAVY STORAGE ACTIVITIES OF OTHER SERVICE WHOLESALE MATERIAL MANAGERS

03221 PURPOSE

1. These procedures describe the actions necessary for Navy storage activities to accomplish location reconciliations for other service wholesale material with the appropriate owner/manager. The location reconciliations will determine if the following type of errors exist:

a. Type I - ICP record that has a positive quantity balance but no corresponding storage activity record for each designated purpose and condition code.

b. Type II - Storage activity record that has a positive quantity balance but no corresponding ICP record for each designated purpose and condition code.

c. Type III - Quantity discrepancies between the ICP record and the storage activity record.

d. Type IV - Catalog data discrepancies.

2. All Navy storage activities storing other service owned material will reconcile their respective wholesale inventory records (active and inactive, including zero balances) at least once each fiscal year with Army, Air Force, DLA, and Marine Corps owners/managers of material. The following alpha-alpha cogs are subject to these location reconciliation procedures:

a. Air Force - SE, SJ, SP, SU, SX, TA, TG

b. Army - AZ, BD, BF, CL, CM, CT, CU

c. Defense Logistics Agency - AX, CX, CY, KX, KZ, TX (Note: These cogs will be eliminated (decapped) from any Navy site where DLA has implemented the Distribution Standard System (DSS). Location reconciliations between the Navy storage activity and the DLA ICPs will not be required at these sites.)

d. Marine Corps - PA

3. Navy storage activities will maintain a 98% accuracy rate for location reconciliations for other service owned material.

4. Location reconciliations will not be required with the establishment of single shared asset balances.

03222 INITIATING THE LOCATION RECONCILIATION PROCESS

1. Navy storage activities will coordinate with other service ICPs as to when the location reconciliation will be performed. The other service ICPs should provide a schedule at the beginning of each fiscal year to each storage activity.

2. Navy storage activities will transmit DZH transactions for each NSN and condition code to the requesting owner/manager as required. Navy storage activities will ensure consecutive transaction numbers are assigned by routing identifier code for control purposes. Navy storage

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activities will also transmit DZN transactions for each set of DZH transactions to the requesting owner/manager as required.

3. Navy storage activities will coordinate and transmit DZK and DZP transactions to the requesting owner/manager as required.
4. Navy storage activities will research transaction count discrepancies and retransmit, if necessary, the DZH/DZK transactions when a DZG is received back from the owner/manager.
5. Navy storage activities will take appropriate action to resolve DZB transactions received from the owner/manager. They will also perform any requests for physical inventories (DJAs) as required by the owner/manager in order to resolve discrepancies.
6. Navy storage activities may have to complete a MLSR report in accordance with references (i) and (q) when required by the owner/manager. A copy of any MLSR reports will be provided to the owner/manager upon completion.
7. Navy storage activities will research transaction and storage item data errors received from owners/managers.
8. Navy storage activities will identify and report systems problems that prevent location reconciliations from being accomplished to NAVSUP 4B1.

03223 RECORD RETENTION

1. Navy storage activities will maintain any statistical data received from owners/managers as a result of the location reconciliation process for five years for trend analysis.

03224 REPORTING REQUIREMENTS

1. Other service owners of material will be responsible for reporting location reconciliation results on the quarterly ICE report provided to DLMSO.

Section III: LOCATION RECONCILIATION PROCEDURES BETWEEN DSS AND U2

03231 PURPOSE

1. Reference (a) requires an annual reconciliation be performed between the storage activity and the owner. These procedures describe the actions necessary for FISCs when reconciling main site and partner site records with DSS records.
2. The purpose of performing an annual location reconciliation is to correct any and all discrepancies of Navy inventory records in both U2 and DSS databases in order to reflect what is actually on the shelf. The FISC and DD personnel must work together to resolve all discrepancies in order to obtain the highest possible accuracy rate for Navy inventory records.
3. Location reconciliations will not be required with the establishment of single shared asset balances.

03232 INITIATING THE LOCATION RECONCILIATION PROCESS

1. FISCs will fully coordinate the annual location reconciliation with the DD, Defense Mega Center, and FMSO so that all parties involved are prepared to perform their respective tasks correctly and at the right time. FISCs will notify NAVSUP 4B1H of the date of their scheduled annual location reconciliation at least one week prior to its occurrence. As a minimum, the following should be coordinated with the appropriate entities:

- a. Date and time of scheduled run. (Must be scheduled directly after end of day reconciliation to prevent annual reconciliation DZHs from not processing due to date of last action on the MSIR being greater than the DZH date.)
- b. Appropriate queues must be turned on to receive and process DZHs from annual location reconciliation.
- c. Appropriate DDA settings and Job Control Languages (JCLs) should be established to process DZH transactions at the proper time and sequence.

2. DLA will transmit DZH transactions for all Navy records (including zero balances) within DSS by site. The annual location reconciliation DZHs will be transmitted immediately following the end of day balance DZHs on the scheduled date. DZH transactions transmitted for annual location reconciliation purposes will be identified by a "2" in rp 7 of the DZH.

3. U2 Application O will compare the DZH balance from DSS to the current MSIR balance for each record. Any errors detected in the DZH transactions will be returned to DSS for action as a DZG transaction. Any Storage Item Data Correction errors will also be sent to DSS for action as a DZB transaction. A DZJ (Request for History) will also be sent to DSS for all discrepancies in the MSIR quantity which generated an unreconciled balance (URB).

4. Application O reports (UO24, UO26, and UO30) will be generated as a result of the annual location reconciliation. An additional report (UO30 Report 9) will also be generated to list all MSIR records that did not receive a DZH balance from DSS.

5. All discrepancies (URBs) that are listed on UO30 Report 8 should be researched and resolved in accordance with normal URB resolution procedures (see Chapter 4). All ZENs (MSIR build) listed on UO30 Report 5 should be researched by the FISC item managers until a coordinated resolution between the FISC and DLA is reached and appropriate actions taken.

6. FISC item managers will ensure that DLA works to resolve all DZB/DZG errors and that a resubmission of DZH transactions is accomplished as needed.

7. FISC personnel will also research and resolve any DZH transactions that did not process as printed on UO30 Report 3. DZHs that do not process for whatever reason means that a record is not getting reconciled, therefore, these DZH rejects must be researched/resolved and reprocessed as needed.

8. All MSIR records that printed on UO30 Report 9 did not receive a DZH balance from DSS, and therefore, must be researched and records deleted in U2 or updated in DSS. Physical inventories may be required to resolve these discrepancies, especially those exceeding the causative research threshold.

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9. MSIR discrepancies that cannot be resolved after extensive research has been accomplished may be resolved by posting the appropriate inventory adjustment ("ZAT" - gain or loss) using origin code "1". The document number of the adjustment should reflect the Navy UIC of the site, the julian date on which the adjustment was made, and "RECO" as the serial number to indicate that the adjustment was done as a result of the location reconciliation.

10. Discrepancies found to be in DSS must be corrected by DLA with the appropriate transaction and a DZH being sent to U2.

11. All discrepancies resulting from the annual location reconciliation must be corrected within 30 days after the date of processing the DZH balances from DSS. Failure to correct all discrepancies within 30 days must be reported to the FISC Commanding Officer with an explanation as to why the discrepancies were not corrected. Failure to correct all discrepancies within 60 days must be reported to NAVSUP 4B1H with an explanation as to why the discrepancies were not corrected.

03233 RECORD RETENTION

1. FISCs will maintain UO30 reports and any other statistical data obtained from the annual location reconciliation between U2 and DSS for five years for trend analysis.

03234 REPORTING REQUIREMENTS

1. FISCs will report the following information to NAVSUP 4B1H as a result of the annual location reconciliation between U2 and DSS. Report must be provided within one week after resolving all discrepancies.

- a. Number of DZHs received from DSS.
- b. Number of discrepancies (URBs) listed on UO30 Report 8.
- c. Number of DZHs, by error code, that did not process as listed on UO30 Report 3.
- d. Number of MSIR records found with no DZH received as listed on UO30 Report 9.
- e. Total number of errors found (1a+1b+1c above).
- f. Total number of errors corrected within 30 days.
- g. Total number of errors corrected within 60 days.
- h. Explain any process or systemic problems that caused the discrepancies along with the corrective actions taken to prevent occurrence.

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CHAPTER 4

UNRECONCILED BALANCES (URB's)

Part A: STOCK POINTS

Section I: GENERAL INFORMATION

04111 PURPOSE

1. Part A of this chapter provides policy guidance and direction concerning the identification and resolution of Unreconciled Balance (URB) transactions at the FISCs as a result of the implementation of the Distribution Standard System (DSS) at the Distribution Depots (DDs). This chapter includes the minimum steps to be taken to resolve URBs and the reporting requirements.

04112 SCOPE

1. This policy applies to Navy wholesale and retail inventory records on U2 to where DSS transactions are passed. DSS does not handle "W" and "L" Purpose Code or "G" and "M" Condition Code material.

04113 BACKGROUND

1. A URB is identified to an individual National Stock Number (NSN), Purpose Code, Condition Code, and Site Code. It is created when the DSS record and the Master Stock Item Record (MSIR) balances in U2 do not agree after end of day processing is complete. URBs are attributed to lost or delayed transactions between DSS and U2, duplicate transactions, or other procedural/programmatic deficiencies. Unresolved URBs have a significant financial and inventory accuracy impact. They represent the value of receipts that cannot be reconciled to a related summary, interfund bill or abstracted voucher; the value of an issue that cannot be billed to a customer; or the value of an adjustment that cannot be recorded. They may also represent the value of potential excess supply or short supply.

04114 POLICY

1. URBs shall be investigated as soon as notification is provided by U2 indicating that a discrepancy in end of day balances exists between DSS and U2. An automatic "ZRQ" adjustment transaction will be posted to U2 for any differences between the "DZH" DSS end of day balance and the MSIR on-hand balance, once in-process issues have been taken into account. All URBs shall be resolved within a period of 14 calendar days. All end of day adjustments resulting from URBs require research and the completion of the URB Worksheet shown in paragraph 04143. Paragraph 04144 checklist may be used as a training tool or as additional URB documentation on an as-desired basis.

04115 DISCUSSION

1. The complexity of resolving URBs with ironclad evidence of each individual cause increases substantially as URBs age. Therefore, it is important to resolve each URB as promptly as possible. Frequently, the URB cannot be resolved without the cooperation and assistance of

one or more of the following: DD personnel, FISC item managers, customer service representatives or systems personnel.

Section II: URB - CAUSE AND RESOLUTION

04121 GENERAL DISCUSSION

1. The amount of research required to be performed by FISC personnel vary with the situation. There are many root causes for URBs, most of which are due to missing or delayed transactions. However, system/process problems may also create URBs. It is important not only to work each URB to process the missing transaction, but also to conduct analysis on the reason the URB was generated. This analysis can then be used to correct procedural or system problems that can prevent future URBs. Some known examples of URB causes are shown below.

04122 EXAMPLES OF CAUSES FOR URBs

1. STORAGE ITEM DATA CORRECTIONS. There are several errors that may occur due to change notices being processed in one system (U2 or DSS) but not the other. These errors (such as discrepancies between the unit of issue, shelf life code, or NSN) may generate a URB in U2, depending on the type of error. U2 Application O will generate a "DZB" transaction back to DSS for their action/error resolution. These "DZB" transactions will print out on UO30 Report 1 when they occur. URBs/"ZRQ" adjustments generated as a result of these errors will need to be reversed in U2 when final resolution/subsequent adjustment occurs. FISC personnel need to monitor these items and coordinate resolutions with the DD personnel.

2. TRANSACTION REJECTS FROM DSS. When transaction errors originate in DSS (such as invalid NIIN/Unit of Issue/RI "to" or "from"; quantity not numeric; Julian Date greater than 366; or invalid Owner/Purpose/Condition code) that except out in U2, a "DZG" transaction will be generated by Application O and will automatically be transmitted back to DSS for correction. These "DZG" transactions will print out on UO30 Report 2 when they occur. "DZGs" that have online errors, will also appear on Report 10 of UO30. URBs/"ZRQ" adjustments may be generated as a result of these errors and will need to be reversed in U2 when final resolution/subsequent adjustment occurs. FISC personnel need to monitor these items and coordinate resolutions with the DD personnel.

3. END OF DAY "DZH" TRANSACTION ERRORS. When the on-hand balance in DSS is decremented before the MSIR is decremented (such as in Issue On Request [IOR]/bearer walkthroughs or "D9A" transactions) and an end of day "ZRQ" adjustment is made that would put the on-hand quantity of the MSIR below zero, a "DZH" transaction will print out in UO30 Report 3 that will show the non-adjusted quantity. Exceptions for IORs/bearer walkthroughs should be processed in U2 as soon as possible to eliminate potential warehouse refusals and possible URBs. Unreconciled Balances (URBs)
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4. MISSING TRANSACTION SETS. There are times when delays occur in transactions being passed between DSS and U2 through the Defense Automatic Addressing System (DAAS) and the bridge processes. The UO24 report will provide a comparison of transaction counts being processed in U2 and in DSS. When the DSS "DZH" balance for the end of the day is greater/less than the MSIR balance, Application O will automatically generate a "ZRQ" (gain/loss) adjustment as well as a URB. Research should be initiated to look for missing "D4_" / "D6_" / "D7_" transactions in U2. Research should begin by comparing the Transaction

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Ledger on Disk (TLOD) to the DSS history (UO26 Report or through on-line DSS inquiry capability). FISC systems analysts may be needed to research the messages being sent by DSS to see if they have transmitted properly through DAAS and the bridge.

5. EXCEPTION PROCESSING. Exceptions may occur in U2 for any number of reasons. FISC personnel need to ensure that all exceptions for balance-affecting transactions are cleared as soon as possible and in coordination with the Inventory Accuracy office to prevent additional URBs from occurring. The majority of these exceptions are found in U2 Controlled Exception Processing System (UCEPS), but there may be other on-line exceptions not found in UCEPS that will need to be processed as well. These on-line exceptions can be found in UO30 Report 10.

04123 RESEARCH TOOLS

1. Several reports exist to aid in researching/reconciling URBs. All of the Application O reports should be maintained in hard copy format for a minimum period of two years for audit purposes. These reports are output on a daily basis but are not maintained in the system for future retrieval. Sample reports are provided at the end of this section. Explanations of the reports follow:

04124 UADPS APPLICATION O REPORTS

1. DAILY DZM COUNTS TRANSACTIONS REPORT. Application O, Program UO24, outputs this report, which may be used to compare the number of U2 transactions processed to the number of DSS transactions processed. This report can be used to identify problem areas and trends that generate URBs. This report is based on the "DZM" (transaction counts) transactions processed for the end of day. Individual 3-position DOC ID's for U2 are shown on the report; these are then totaled into the 2-position DOC IDs for the current Julian Date and compared to the 2-position DOC ID count from DSS. For example, several lines of "D6A", "D6K", "D6M", etc. transactions will be summed into a U2 "D6" total, for ease of comparison to the DSS daily total. A total of each type of transaction ("D4"/"D6"/"D7"/etc.) that was processed the previous day by either system will appear on the daily report. Any quantities in the "Difference" column of the report on the 2-position DOC ID line will indicate the number of transactions that did not process through either U2 or DSS based on end of day counts.

2. DAILY DZK TRANSACTIONS REPORT. Application O, Program UO26, produces this report, which displays the transaction history file from DSS that will be compared to the U2 history records from TLOD. A Program Control Card (PCC) option exists for this program. If the PCC option is "A", transactions processed in DSS but not in U2 will automatically be created and queued to the proper U2 program. If the PCC option is blank, transactions processed in DSS but not in U2 must be input manually. Reversals will not be processed by Application O; they must be input manually. This report will be received the day after the Transaction History ("DZJ") Request Report is produced by UO30 for these transactions. Eventually, this report will be modified to show the DSS transactions that matched the U2 transactions and those that do not match. For the transactions that do match, a "MATCHED" message will be displayed; for those that do not match, either a "NO DSS HISTORY" or "NO UADPS HISTORY" message will be displayed. The printing of this report is optional where on-line DSS inquiry capability exists.

3. SELECTED OPEN ISSUES (FTE) REPORT. Application O, Program UO27, is an optional program, which can be requested and printed as required. It is recommended that Option "L" be run at the FISCs at least once a month. It may be run more frequently, if desired, depending on the volume of open transactions that are on file at the FISC. This report can be used to find

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transactions that are “hung up” because they have not processed in both U2 and DSS. It also can be used to find undershipments for disposals processed by DSS where the ZWA did not process correctly in U2. Those transactions can then be researched and completed in the system. Enter “L”, a document option code and a date as PCC options. Multiple PCCs may be processed simultaneously. The recommended date would be no more than one week earlier than the current date. The following types of reports may be output from this program:

<u>Option</u>	<u>Report Data</u>
D	The program reads the U2 End of Day File (UEDF) for the document number, erases the record and prints the record to an output file. If the document is not found, an error message will print. Note: This option should not be used on a regular basis.
E	This option is used to produce the Pending Issue (code IS) and Pending Receipts (code ST) numbers used in the URB Report (UO30 Report 8). Note: Normally, this option should only be used by system administrator personnel.
L	The program reads the UEDF and prints a report of all records found on the UEDF that meet the document option criteria and are older than the date specified on the PCC.

<u>Document Option Code</u>	<u>Output</u>
ALL	All Documents
ETZ	Documents with an Issue Quantity of “0”
GTZ	Documents with an Issue Quantity greater than “0”

This report will be printed in document number sequence.

4. STORAGE ITEM DATA CORRECTIONS (DZB) REPORT. Application O, Program UO30, Report 1, must be printed daily. This report shows transactions that processed in DSS but did not process in U2 due to discrepancies between the MSIR and the DSS item record. These “DZB” transactions are automatically sent back to DSS for further resolution. This report is output for information purposes to the FISC and may be used as a tool to either inquire against DSS or to follow-up with DD personnel to ensure that these corrections have been processed. Correction Codes for this report are as follows:

<u>Code</u>	<u>Explanation</u>
2	The MSIR NSN is not equal to the DZH NSN, possibly as a result of a change notice action.
3	The MSIR Shelf Life Code is not equal to the DZH Shelf Life Code, possibly as a result of a change notice action.
5	The MSIR Unit of Issue is not equal to the DZH Unit of Issue, possibly as a result of a change notice action.

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5. TRANSACTION REJECTS (DZG) REPORT. Application O, Program UO30, Report 2, must be printed daily. This report lists transactions processed through DSS but not through U2. The reasons why the transactions did not process can be recognized programmatically (i.e., Julian Date fields greater than 366, non-numeric quantities, etc). U2 passes these transactions back to DSS for DD personnel to review. This report is output for information purposes to the FISC and may be used as a tool to either inquire against DSS or to follow-up with DD personnel to ensure that these corrections have been processed. Reject Codes for this report are as follows:

<u>Code</u>	<u>Explanation</u>
AD	The MSIR NIIN does not equal the DSS transaction NIIN.
AR	The MSIR Unit of Issue does not equal the DSS Transaction Unit of Issue, or the change notice code is not equal to "CW" or "C9", or if the quantity cannot be converted.
AV	The Routing Identifier (RI) "to" on DSS transaction is not equal to the Systems Constant Area (SCA) 0002 or the RI "from" is not equal to SCA 0539, or the DSS indicator is not equal to "1".
AE	The quantity field in the DSS transaction is not numeric.
AQ	The date field in the DSS transaction is greater than 366 or DZH date is greater than Date-of-Last-Action on MSIR.
AK	The Owner/Purpose code is numeric, "O" or "I".
AM	The Condition code in the DSS transaction is not equal to "A-H", or "P-S".

6. INVENTORY RECONCILIATION (DZH) REPORT. Application O, Program UO30, Report 3, must be printed daily. The FISC's Inventory Accuracy (IA) personnel will normally use this report. The following Error Validation Codes are used in this report:

<u>Code</u>	<u>Reason for the Error</u>
(Blank)	An IOR or loss transaction occurred as an issue transaction was being sent to DSS, which would have taken the MSIR to a negative quantity balance.
AQ	The MSIR Date-of-Last-Action date is greater than the end of day ("DZH") transaction date.
ED	The UEDF shows actions (most commonly, "D7_" issues) which have a later processing date than is on the "DZH" transaction.
NM	Items where no MSIR exists (the same NSNs will also appear on Report 5, explained in paragraph 7 below).

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QD Two "DZH" transactions were received on the same date and the quantities on the "DZH's" are different. In this case, no "DZH" will be processed for that day.

7. INVENTORY ADJUSTMENTS (ZRQ) REPORT. Application O, Program UO30, Report 4, must be printed daily. Any problems identified on this report should be resolved promptly. This report shows the actual inventory adjustment quantities (gains and losses) for each NSN that occurred as a result of end of day processing. This report should be compared to Reports 6 and 8 for matching NSNs. "ZRQ" adjustments listed on Report 4 that do not have a corresponding URB on Report 8 should be researched for possible treatment as a URB. A FISC systems analyst should also be notified when these three reports do not display matching NSNs, as there may be possible Application O program(s) problems. This report will also show the zero adjustments generated by a "ZEN" (MSIR build) action. This report also displays the dollar value of the adjustment, as well as the security code. IA personnel will normally process this report, in conjunction with Reports 6 and 8.

8. MSIR BUILDS (ZEN) REPORT. Application O, Program UO30, Report 5, must be printed daily and action taken to complete the establishment of a MSIR. Any time DSS produces a "DZH" transaction and no MSIR for that NSN exists in U2, a "ZEN" transaction is generated and output on this report. This report will normally be processed by Item Managers (IMs) at the FISC, who will check the skeleton MSIR for invalid data. Normally, there should be few, if any, transactions on this report. If many "ZEN" transactions appear on this report, the IM should research recent "Range Add" NSNs, or possible MTIS receipts. Note: If the DD personnel mis-keyed any NSNs in DSS, that could cause a "ZEN" in U2; in that case, the IM should pass information back to DD personnel so that they can correct DSS to show the real NSN.

9. TRANSACTION HISTORY/CUSTODIAL BALANCE REQUESTS (DZJ) REPORT. Application O, Program UO30, Report 6, must be printed daily. When an Out-of-Balance condition occurs in the end of day processing between DSS and U2, a request for transaction history is automatically generated to both DSS and U2. The combined transaction history will print out on report UO26 and should generally be received the next working day. Normally, history is requested from the day before the last in-balance report was received. If there is no such date, it defaults to 100 days. If the problem still cannot be resolved with this information, research may need to be conducted on transactions that occurred before the History Start Date shown on this report.

10. CALCULATION BACKUP FOR REPORT 8 URBS REPORT. Application O, Program UO30, Report 7, will be printed daily. This report displays the MSIR and UEDF file records that were used to calculate the URBs shown in Report 8.

11. UNRECONCILED BALANCES REPORT. Application O, Program UO30, Report 8, must be printed daily. URBs should be researched and appropriate corrective actions taken as soon as possible. Report 8 displays the unreconciled balances that occurred as a result of the end of day processing. Pending Issues, if applicable, are shown on the report, as are the MSIR Total On-Hand balance (includes all purpose codes), the latest "DZH" balance from DSS, the URB quantity and the total dollar value of the URB. IA personnel will normally process Report 8, in conjunction with Reports 4 and 6. The Daily "DZM" Count Transactions Report produced by program UO24 may also be used in conjunction with the Unreconciled Balances Report.

12. MSIRS WITHOUT DZH REPORTED. Application O, Program UO30, Report 9, was originally to be produced when the annual reconciliation between DSS and U2 occurred. The

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report will display records of any MSIR that was found where no "DZH" transaction was output during the reconciliation process. It is being removed from the series of UO30 reports and, in the future, will be output as a separate report when the annual reconciliation programs are run. IM personnel would normally process this report.

13. ON LINE ERRORS REPORT. Application O program UO30, Report 10, is produced any time on-line errors (found in the "9H" queue) occur during end of day processing. This report must be printed and reviewed daily. The report will be output in DOC ID sequence, with a secondary sort criterion of either NSN or Document Number order. Most of the errors identified in this report have already been passed on to the appropriate U2 application for processing and/or correction. Some transactions posting to this report are for information only, i.e., a "ZRQ" transaction with a blank exception code indicates that the extended dollar value of the adjustment exceeds \$100,000, the cog begins with an alpha character, the FSC begins with "10", or it is a security coded item. These transactions should be monitored by the IA personnel for possible problems. The FISC IMs should research any "DZK" transactions. Any "ZRQ" transactions with exception codes should be reviewed and re-processed. Any "Z77" transactions, which identify Proof of Shipments, should be researched for a corresponding "D7_" transaction on the UEDF. Normally, this report will be worked by personnel from various areas, including Customer Service, IMs and IA.

04125 GENERAL PROCESSING OF URBs

1. BASIC PROCEDURES . The following are basic procedures to use when reconciling DSS/U2 URBs:

a. Since the Application O reports are a daily report and U2 does not provide an automated method to track URB workload, it is necessary for the FISCs to establish and maintain a separate database which tracks daily URBs received and worked. The format of this database may be obtained by contacting NAVSUP 4C2.

b. Begin URB research by printing a Transaction Ledger on Disk (TLOD) and DSS history (or refer to UO26 Report printed the next day) for each NIIN listed on the UO30 Report 8 (URB Report). For the first two or three months after conversion, a combined NISTARS/U2 TLOD should be printed for research purposes.

c. Compare the URB report (Report 8) MSIR quantity with the quantity shown on the system-generated TLOD. If they do not match, further research is required. Possibilities include: looking at the pre-DSS implementation NISTARS history (for as long as that is available); looking further back in TLOD history (30-60 days is recommended); looking for UCEPS exceptions that have not been worked; or looking for other than "A" Purpose Code material on the MSIR.

d. When comparing the MSIR quantities, ensure that any in-process issues (where TLOD shows an "A0_" transaction but no corresponding "D7_" transaction appears) is included under the "In-Process Issues". The formula to determine the URB Quantity can be shown as:

$$\text{DSS (DZH) Qty} - (\text{MSIR Qty} + \text{In-Process Issues}) = \text{URB Qty}$$

As an example, suppose the MSIR balance is 10, there are 2 issues in process and the DSS end of day "DZH" balance is 12. In that case, there would not be a URB ($12 - (10 + 2) = 0$). However, if the "DZH" balance were 11, the URB quantity would be -1 ($11 - (10 + 2) = -1$). If the "DZH" balance were 14, the URB quantity would be +2 ($14 - (10 + 2) = +2$).

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e. Positive URB adjustments (ZRQ gains) may be caused by (but not limited to) the following scenarios: receipts (D4_/D6_) posted to DSS and not U2; inventory gains (D8A) posted to DSS and not U2; reversals of inventory loss (D9A) or issue (D7_) posted to DSS and not U2; and condition code transfers (DAC/D8C) posted in DSS and not U2. Negative URB adjustments (ZRQ losses) may be caused by (but not limited to) the following scenarios: inventory losses (D9A) posted to DSS and not U2; bearer walk through (D7_) processed in DSS that did not properly post a requisition (AOA) to U2; an Issue (D7_) processed in DSS that did not process to the U2 UEDF; reversal of an inventory gain (D8A) or receipt (D4_/D6_) posted in DSS and not U2; condition code transfers (DAC/D9C) posted in DSS and not U2. It is important to remember that whenever the missing transaction is posted, the ZRQ (ZAT) gain or loss must be reversed on the same day, otherwise a subsequent URB could result.

f. "ZRQ" Adjustment Reversals. With the implementation of DSS, the FISC will use the updated "ZD2" screen to do "ZRQ" ("ZAT" and "ZAS") reversals. The new "ZRQ" reversal screen is shown below in Exhibit 1. Please note that "ZRQ's" generated by end of day processing will have a document number beginning with an "N" while "ZRQ's" generated by D8A/D9A (physical inventory adjustments) transactions will have a document number beginning with "SW". The only time a ZAT with a "SW" document number is to be reversed is when DSS reversed the D8A/D9A transaction, and the reversal did not post to UADPS-2. Also, the only time you would reverse a "ZAS" gain adjustment (accompanied by a "ZWR" warehouse refusal) is if it was generated by a missing transaction and you have an offsetting "ZAT" loss. In this case, the "ZAS" gain was a bounceback instead of a true warehouse refusal, and therefore, may be reversed along with the offsetting "ZAT" loss. Another way to determine if the transaction can be reversed is to determine whether or not the transaction appeared on DSS. If the D9A follows a D7_ reversal in the DSS history, it is a true warehouse refusal and cannot be reversed. If the D9A does not appear in the DSS transaction history, but a ZAT loss appears on U2, then it is considered a bounceback on U2 and can be reversed with the offsetting adjustment. When reversing "ZAT"/"ZAS" adjustments, the following specific information should be used in the appropriate fields of the ZD2 screen as shown on Exhibit 1:

PROCESSING FRAME FOR ZRQ														
DOCID	ZD2	TRANS-ID		ZRQ	FSC	NIIN			SERIAL-NR					
		SITE-CODE		AG										
UPDATE	DOCUMENT-NR			ORIGIN	ZBY/DREV									
\$ VALU	TYP	PURP	COND	COUNT	RES	ADJUST	MGT			MANUAL	SEC			
O/R	INV	CODE	CODE	DATE	CODE	QTY	CODE	COG	SMIC	U/I	REVIEW	CODE		
Y		N68836XXXXXXXXX			4				B					
	S	A	F	8128	7	0000002	N	6K		EA	X	U		

(Inputs are in italics)
Exhibit 1. "ZRQ" Processing Frame

(1) The ORIGIN field needs to be completed in accordance with the following table. It is very important to find and use the correct Origin Code when reversing a "ZAT" so that the reversal posts to the same general ledger account as the original adjustment. Almost all adjustment reversals entered will be coded "4". An Origin Code of "3" applies to most reversal

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transactions processed prior to FMSO's November 98 release of updated UADPS-2 Application I programs. Note: Always use an Origin Code of "1" when reversing a "ZAS" adjustment.

ORIGIN Code - Source of Transaction	Gain/ Loss	Fund Code	FIR	TIR to Code	UICP G/L UICP	Acct
1 - DSS Physical Inventory warehouse refusal or bounceback	Gain	2F	D4	D8A	719111	
	Loss	2F	M4	D9A	729111	
2 - UADPS-2 Partner Sites	Gain	2F	D4	D8A	719111	
	Loss	2F	M4	D9A	729111	
3 - Financial Adjustment (only used to reverse or correct prior financial adjustments)	Gain	1C	E4	D8B	719121	
	Loss	1C	N4	D9B	729121	
4 - Database reconciliation End-of-Day Adjustment	Gain	7H	EA	D8B	719129	
	Loss	7H	NA	D9B	729129	

Table 1. Origin Code Table

Note: The "ZRQ-Ind" field on the "ZDG" inquiry will also provide the ORIGIN code to be used on the "ZD2" screen.

(2) The ZBY/DREV field has been added to the screen to be used to suppress a reversal from posting immediately. It is to be used when reversing a loss, in those instances where the quantity on hand is zero or close to zero. Entering a "B" in this field will prevent the system from trying to issue a non-existent quantity to fill a requisition. For example, assume an NSN originally had one on-hand, then a receipt reversal for a quantity of one was processed in DSS, but the receipt reversal excepted out in U2. The exception was not cleared prior to the end of day processing, therefore, a URB (ZRQ loss) resulted. When the URB is worked, the "ZAT" loss will need to be reversed first to put quantity back on the MSIR in order to process the exception on the receipt reversal. There is no quantity in the warehouse; therefore, the "B" must be entered into the ZBY/DREV field in order to ensure that the system does not try to issue the "phantom quantity" that was generated by the "ZAT" loss reversal.

(3) A Research Code of "7" should be used for all "ZRQ" reversal transactions.

f. Additional information which may be of assistance in processing URBs include:

(1) Paragraph 04145 provides a cross-index of DOC IDs used in U2 and DSS. The paragraph is divided into two parts: Transactions Going from U2 to DSS (by U2 DOC ID); and Transactions Going from DSS to U2 (by U2 DOC ID).

(2) To process URB gains caused by missing receipt transactions ("D4_"s/"D6_"s), process the missing receipt, then reverse the ZAT gain by using the "ZD2" screen.

(3) To process URBs caused by missing inventory adjustment transactions ("D8_"s or "D9_"s), perform the following actions:

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- a. Process the missing "D8_" or "D9_" transaction in U2.
- b. Reverse the corresponding "ZAT" adjustment on the "ZD2" screen, utilizing information found in the original transaction and, if required, on the "ZDT" inquiry.
- c. Processing the above transaction should occur in the order which precludes possible forced gains. For example, if there is a missing "D8A reversal from DSS which caused a URB loss, the "ZAT" loss should be reversed first, then the missing D8A reversal processed. This will ensure that a ZAS gain is not generated due to insufficient on-hand quantity.

(4) To review and match repairable item transactions between the two systems, you must translate the document numbers as shown in the examples below. The third position of the U2 Document Number is moved to the second position in DSS, and the U2 Sequence Number appears as positions 3-6 of the Document Number in DSS. See the following examples:

<u>U2 Document Number</u>	<u>DSS Document Number</u>
NWHN32-8234-2349 Seq. # 0004	NH0004-8234-2349
NWSN32-8248-0388 Seq. # 0125	NS0125-8248-0388

Section III: DSS INQUIRY PROCEDURES

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1. DSS TRANSACTION HISTORIES. For East Coast activities (Norfolk, Cherry Point, and Jacksonville), the following steps are provided for retrieving transaction histories:

- a. Once logged into the DSS system, the first screen that will appear is the DSS "DDxx 7.3 PRODUCTION REGION" menu (where "xx" = the site, i.e., "JF" for Jacksonville, "NV" for Norfolk, etc.).
- b. Select option "03", Warehouse Operations. This will take you to DSS "MAIN MENU 03 - WAREHOUSE OPERATIONS" screen.
- c. Select option "60", Inquires. This will take you to the DSS "WAREHOUSE OPERATIONS: DETAIL MENU 60 - INQUIRIES" screen.
- d. Select option "6M", Transaction History. This will take you to the DSS "OWNER TRANSACTION HISTORY INQUIRY DISPLAY SELECTION SCREEN". On this screen, you must enter a NIIN and a START JULIAN DATE (in the format of YYYYJJJ, such as 1998203). You should also enter a Condition Code; if the Condition Code is left blank, data for all condition codes held in DSS will appear. You may enter a STOP JULIAN DATE if you are only interested in a specific date range; otherwise, the information retrieved will include transactions up through the current Julian Date. The remaining fields on the screen are optional. Note: If running more than one inquiry, it is important to enter function key "F2" to clear the screen before entering the next NIIN. This will ensure that no data from the first query is carried over to the second one.

2. DSS RECEIPT INQUIRIES. To run DSS Receipt Status inquiries for the East Coast activities, the following steps are provided:

- a. Once logged into the DSS system, the first screen that will appear is the DSS "DDxx 7.3

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PRODUCTION REGION" menu (where "xx" = the site, i.e., "JF" for Jacksonville, "NV" for Norfolk, etc.).

b. Select option "02", Receiving. This will take you to DSS "RECEIVING - MAIN MENU 02" screen.

c. Select option "50", Inquires - Mission/ISA. This will take you to the DSS "DDxx RECEIVING: MISSION/ISA INQUIRIES - DETAIL MENU 50" screen.

d. Select option "57", Receipt Status Display. This will take you to the DSS "RECEIPT STATUS DISPLAY" screen. On this screen, you may enter either a NIIN or an Operations Control Number (OCN, which is assigned by DSS) into the "OCN/CONVEY/PUTAWAY/NIIN" field or you may enter either a Document Number or PIIN into the "PIIN/DOCNO" field. If inquiring about a repairable document with a sequence number, be sure to enter the DSS document number into the screen (see paragraph 04125.1f(4) above for how to translate the document number). The remaining fields on the screen are optional. Note: If running more than one inquiry, it is important to enter function key "F2" to clear the screen before entering the next NIIN. This will ensure that no data from the first query is carried over to the second one.

3. BOUNCEBACK INQUIRIES. For East Coast activities (Norfolk, Cherry Point, and Jacksonville), the following steps are provided for inquiring DSS for bouncebacks:

a. Once logged into the DSS system, the first screen that will appear is the DSS "DDxx 7.3 PRODUCTION REGION" menu (where "xx" = the site, i.e., "JF" for Jacksonville, "NV" for Norfolk, etc.).

b. Select option "03", Warehouse Operations. This will take you to the DSS "MAIN MENU 03 - WAREHOUSE OPERATIONS" screen.

c. Select option "60", Inquiries. This will take you to the DSS "WAREHOUSE OPERATIONS: DETAIL MENU 60 - INQUIRES" screen.

d. Select option "6V", MRO History Inquiry. This will take you to the DSS "MRO HISTORY INQUIRY" screen. On this screen, you must enter the document number of the requisition you are researching. You can enter an "I" for an inquiry action. The next screen will provide the first of three pages of information regarding that requisition. You will need to hit "F8" to go to the second screen. The second screen will give you the quantity shipped and the quantity denied. If there is a quantity greater than "0" in the quantity denied field, this is the quantity of the bounceback. A bounceback will only appear on this screen, whereas a warehouse refusal will show up in the owner transaction history as a D7_ followed by a D7_ reversal and a D9A with all the same document number.

04132 WEST COAST

1. DSS TRANSACTION HISTORIES. For West Coast activities (Puget, San Diego, Pearl, and Yokosuka), the following steps are provided for retrieving transaction histories:

a. Once logged into the DSS system, the first screen that will appear is the DSS "DDxx MASTER MENU" screen (where xx = the site, i.e., "DC" for San Diego and "PW" for Puget).

b. Select option "16", Customer Inquiries. This will take you to the DSS "MAIN MENU 16 - EXTERNAL CUSTOMER INQUIRIES" screen.

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c. Select option "2B", Adjustment Transaction History. This will take you to the DSS OWNER TRANSACTION HISTORY INQUIRY screen. On this screen, you must enter a NIIN and a START JULIAN DATE (in the format of YYYYJJJ, such as 1998203). You should also enter a Condition Code; if the Condition Code is left blank, data for all condition codes held in DSS will appear. You may enter a STOP JULIAN DATE if you are only interested in a specific date range; otherwise, the information retrieved will include transactions up through the current Julian Date. The remaining fields on the screen are optional.

2. DSS RECEIPT INQUIRIES. To run DSS Receipt Status inquiries for the West Coast activities, the following steps are provided:

a. Once logged into the DSS system, the first screen that will appear is the DSS "DDxx MASTER MENU" screen (where xx = the site, i.e., "DC" for San Diego and "PW" for Puget).

b. Select option "16", Customer Inquiries. This will take you to the DSS "MAIN MENU 16 - EXTERNAL CUSTOMER INQUIRIES" screen.

c. Select option "1C", Receipt Status Display. This will take you to the DSS "RECEIPT STATUS DISPLAY" screen. On this screen, you may enter either a NIIN or an Operations Control Number (OCN, which is assigned by DSS) into the "OCN/CONVEY/PUTAWAY/NIIN" field or you may enter either a Document Number or PIIN into the "PIIN/DOCNO" field. If inquiring about a repairable document with a sequence number, be sure to enter the DSS document number into the screen (see paragraph 04125.1f(4) above for how to translate the document number). The remaining fields on the screen are optional. Note: If running more than one inquiry, it is important to enter function key "F2" to clear the screen before entering the next NIIN. This will ensure that no data from the first query is carried over to the second one.

3. BOUNCEBACK INQUIRIES. For West Coast activities (San Diego, Puget, Pearl, and Yokosuka), the following steps are provided for inquiring DSS for bouncebacks:

a. Once logged into the DSS system, the first screen that will appear is the DSS "DDxx MASTER MENU" screen (where "xx" = the site, i.e., "DC" for San Diego, "PW" for Puget, etc.).

b. Select option "16", Customer Inquiries. This will take you to the DSS "MAIN MENU 16 - EXTERNAL CUSTOMER INQUIRIES" screen.

c. Select option "3A", MRO History Inquiry. This will take you to the DSS "MRO HISTORY INQUIRY" screen. On this screen, you must enter the document number of the requisition you are researching. You can enter an "I" for an inquiry action. The next screen will provide the first of three pages of information regarding that requisition. You will need to hit "F8" to go to the second screen. The second screen will give you the quantity shipped and the quantity denied. If there is a quantity greater than "0" in the quantity denied field, this is the quantity of the bounceback. A bounceback will only appear on this screen, whereas a warehouse refusal will show up in the owner transaction history as a D7_ followed by a D7_ reversal and a D9A with all the same document number.

Section IV: ADMINISTRATION

04141 RECORD RETENTION

1. Packages that include URB research (TLOD, DSS histories, other U2 inquiries, URB adjustment worksheet, etc.) should be maintained on file for at least two years for audit purposes.

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Unreconciled Balances (URBs)

04142 NAVSUP REPORTING REQUIREMENTS

1. Statistical data is necessary to evaluate URB management and policy. A monthly report of URB backlog will be provided to NAVSUP within 5 working days after the end of the month. This can be done via email or fax. The report should provide a breakout of the age of the URBs (the number of outstanding URBs under 14 days old, and the number of outstanding URBs over 14 days old). Additionally the following URB statistics are required to be included in the quarterly ICE report submission:

Number of URB losses	\$ value of URB losses
Number of URB loss reversals	\$ Value of URB loss reversals
Number of URB gains	\$ value of URB gains
Number of URB gain reversals	\$ value of URB gain reversals

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04143 URB ADJUSTMENT WORKSHEET

URB ADJUSTMENTS WORKSHEET

COG ___ NSN _____ U/I ___ P/C ___ C/C ___ SEC CODE _____

URB DATE _____

la. RECEIPTS:

DOCID	DOC #	QTY	REMARKS

lb. ISSUES:

DOCID	DOC #	QTY	REMARKS

II. INVENTORY ADJUSTMENTS ONLY:

DOC#	QTY	ORIG	REMARKS
IIa. Straight gain (F)			
IIb. Reverse loss (N)			
IIc. Reverse gain (F)			
IId. Straight loss (N)			

*FIR Code to Origin Code legend:

D4 - Gain (F) or M4 - Loss (N) = 1. Document #s beginning with "SW" gain/loss code and origin code is always = 1. Also used for warehouse refusal and bouncebacks.

E4 - Gain (F) or N4 - Loss (N) = 3. Used to reverse adjustments where original URB was under these FIR codes (Original adjustment was prior to November 1998).

EA - Gain (F) or NA - Loss (N) = 4. Straight gains/losses will reflect original FIR code. Use same for reversals. Applies after November 1998.

WORKED BY: _____

DATE: _____

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Unreconciled Balances (URBs)

04144 URB RESEARCH CHECKLIST

URB RESEARCH CHECKLIST

COG ___ NSN _____ - ___ - _____ - _____ SEC CODE ___ U/I ___ C/C ___

URB Date: _____ URB QTY: _____ URB Value: _____

Research Actions (check all that apply):

- 1. Checked TLOD _____
- 2. Checked DSS transaction history _____
- 3. Compared End-of-Day Balances in DSS and U2 _____
- 4. Checked UCEPS and other U2 exceptions _____
- 5. Checked DSS/U2 bridge input/output transactions _____
- 6. Checked BREES (repairable items) _____
- 7. Checked for RSF, RDF and/or ESF transactions _____
- 8. Checked U2 Queues (MTIS Receipts - 24; Other Receipts - FE, 04, 11; Issues - 3F; Inventory Adjustments - FE, FD, FB) _____
- 9. Checked any other applicable records (specify actions taken) _____

Corrective Actions (check all that apply):

- 1. Processed missing receipt transaction _____
- 2. Processed missing issue transaction _____
- 3. Cleared exceptions in UCEPS, other U2 and/or BREES _____
- 4. Cleared any other exceptions or system problem (i.e., delayed queues) _____
- 5. Verified the On-Hand balance by ZDG or XVK inquiry and checked to ensure that reversal has not been processed already _____
- 6. Reversed URB _____
- 7. Verified that corrective actions processed successfully (TLOD or ZDG) _____
- 8. All research actions taken failed to disclose any missing transactions or correctable errors (an Inventory Gain or Loss Adjustment is required) _____
- 9. Other corrective actions taken (specify actions) _____

Other Remarks (Further explanations of problems found):

ANALYST SIGNATURE: _____ DATE: _____

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04145 CROSS INDEX OF DOCIDs USED IN U2 AND DSS

1. TRANSACTIONS GOING FROM U2 TO DSS (By U2 DOC ID):

<u>U2 DOC ID</u>	<u>DSS DOC ID</u>	<u>TYPE OF DOCUMENT</u>
A5A	A5A	Material Release Order
AC_	AC6	Cancellation
ACJ	ACJ	Disposal Release Cancellation
AF_	AF6	Follow-Up
AFJ	AFJ	Disposal Release Follow-Up
AK_	AK6	Follow-Up on Cancellation Request
AKJ	AKJ	Disposal Release Cancellation
AM_	AM_	Document Modifier
BN_	C11	Chg Notice Action for Locally Managed Items
	CAN	Candidate Stock Number Add
	C28	Change to Source of Supply
	C37	Record Delete
	C96	Miscellaneous Data Change
	CE_	Packaging Reference Record
	CU2	Unit of Issue Change
	CV_	Data Change
BN3	CBS	Item Identification Transaction
DJA/ZAW	DJA	Physical Inventory Request
DU_	DU_	Pre-Positioned Mat'l Receipt (Procurement)
DW_	DW_	Pre-Positioned Material Receipt (Non-Proc.)
DXA_	DXA_	Material Receipt Follow-Up (Procurement)
DXB	DXB	Material Receipt Follow-Up (Non-Proc.)
DAC	DAC	Inventory Adjustment (Cond. Code Trans)
DZB	DZB	Storage Item Data Correction/Change
DZC	DZC	Logistics Reassignment Storage Information
DZG	DZG	Transaction Reject
DZJ	DZJ	Transaction History/Custodial Bal. Request
FT6	AF6	ICP/IM MRO Follow-Up
NYZ	NYZ	Site Quantity Establishment
PK5	PK5	Procurement Acceptance Alert Card
XEN	CAN	Candidate Stock Number Add
	CEB	Packaging Reference Record
	CVA	Stock Number Add
XL7	A5A	Material Movement Document
	A5J	Disposal Release Order
XWW	A5_	Issue Data to NAVADS from U2 (may include ZGU trailer card "P" or "J")
Z8E	Z8E	Maximum Storage Quantity
ZUB	DWM	Component Return (Due In From Maintenance)
ZUC	A5E	Component Movement-Issue to Maintenance (may include ZGU trailer card "1" through "4")

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Unreconciled Balances (URBs)

2. TRANSACTIONS GOING FROM DSS TO U2 (By U2 DOC ID):

<u>U2 DOC ID</u>	<u>DSS DOC ID</u>	<u>TYPE OF DOCUMENT</u>
D4_	D4_	Material Receipts (Procurement)
D6_	D6_	Material Receipts (Non-Procurement)
D7_	D7_	Issues
DAC	DAC	Inventory Adjustment (Condition Code Transfer)
	D6M	Receipt from Maintenance (Puget and Pearl Only)
DZD	DZD	Logistics Reassignment - Storage Info Reply
DZH	DZH	Location Reconciliation Request/EOD Balance
DZK	DZK	Transaction History Transmittal
DZM	DZM	End-of-Day Accountable Transaction Count
DZP	DZP	Location Reconciliation History Notification
Z77	ARA	POS - MRO (qty > requested due to unit pack)
	ARB	POS - MRO (qty < requested due to unit pack)
	AR0	POS - MRO
	ARJ	POS - Disposal
	ARK	POS - Disposal (qty > requested)
	ARL	POS - Disposal (qty < requested)
Z86	D9G	Inventory loss due to theft, deterioration, etc.
Z98	ARA	POS - MRO
	ARB	POS - MRO
	AR0	POS - MRO
Z9B	D8J/D9J	Stock Reidentification
ZAH	A6_	MRO Denial
	ARA	MRO Overshipment
	ARB	MRO Undershipment
	D7J	Issue to Disposal
ZEN	CAN	New Item Establishment
ZRQ	D4_	Material Receipt - Lost in Transit
	D8A	Physical Inventory Gain
	D9A	Physical Inventory Loss
ZUC	AR_	POS - Issue to Maintenance
	A6_	MRO Denial
	D7_	Issue to Maintenance
ZUD	D6M	Material Receipt From Maintenance
ZWA	A6J	Warehouse Refusal - Shipment to DRMO
	ARA	POS - MRO (qty > requested)
	ARB	POS - MRO (qty < requested)
	ARK	POS - Disposal (qty > requested)
	ARL	POS - Disposal (qty < requested)
ZWC	AE6	Supply Status - Customer Cancellation
	AG6	Reply to Cancellation Request
	AU_	Shipment Status
ZWD	A61	Warehouse Refusal - Shelf Life Expired (overseas shipment)
	A6A	Warehouse Refusal - Shelf Life Expired (domestic shipment)
ZWE	A6J	Warehouse Refusal - Shipment to Disposal
ZWF	AGJ	Reply to DRO Cancellation
	AUJ	DRO Shipment Status
ZWP	ARA	MRO Overshipment
ZWR	A6_	Warehouse Refusal - NIS

Part B: NAVAL INVENTORY CONTROL POINT

Section I: GENERAL INFORMATION

04211 PURPOSE

1. Part B of this chapter provides policy guidance and direction concerning the identification and resolution of Unreconciled Balance (URB) transactions at the NAVICP. Part B also provides policy and guidance regarding financial adjustment guidelines and adjustment approval authority thresholds, and reporting requirements for NAVICP.

04212 SCOPE

1. This policy applies to NAVICP managed material under the Navy Working Capital Fund (NWCF) and Appropriation Purchases Account (APA). This includes all Centralized Accounting and Billing (CAB) organic material, non-CAB organic, Commercial Asset Visibility (CAV), DLA direct reporting sites, Defense Maintenance Interservice Support Agreement (DMISA) activities, and MFCS material. End-use accounts including "W" and "L" purpose code material are excluded from the scope of this Chapter.

04213 BACKGROUND

1. A URB is identified to an individual Activity, National Stock Number (NSN), Purpose Code, and Condition Code. It is created when the storage activity on-hand balance (i.e., Master Stock Item Record (MSIR) balance in U2) does not agree with the ICP's Master Item File (MIF) balance after end of day processing is complete. URBs at the NAVICP are attributed to lost or delayed Transaction Item Reports (TIRs) between U2, CAV and UICP, duplicate transactions, or other procedural/programmatic deficiencies. Unresolved URBs have a significant financial and inventory accuracy impact. They represent the value of receipts that cannot be reconciled to a related summary, interfund bill or abstracted voucher; the value of an issue that cannot be billed to a customer; or the value of an adjustment that cannot be recorded. They may also represent the value of potential excess supply or short supply.

04214 POLICY

1. NAVICP shall investigate those URBs between the storage activity and UICP as soon as notification (DIC "ZZ1") is provided by UICP. NAVICP should ensure that all DZA/DZH transactions are provided by the storage activity and processed into UICP as expeditiously as possible. Business Plan goals are established to keep the rate of URBs generated to a small percentage of business volume. While most URBs are generated from factors outside NAVICP control, all URBs shall be researched and resolved as soon as possible to avoid getting add-on URB(s) which complicates the research process. URBs that are not resolved within a period of 180 days may be manually written off. URBs for classified/sensitive material shall be rigorously researched until resolved or proven that items have not been lost, and shall be manually adjusted within 180 days if resolution is not possible. Completion of the URB Adjustment Checklist (found at paragraph 04222) must be completed prior to performing a URB write-off of a classified/sensitive item. No automatic adjustments are permitted for classified/sensitive items. All manual adjustments for other than classified/sensitive material shall require completion of the URB Adjustment Checklist subject to the criteria established below:

a. URBs are identified as "Valid URBs" and "Invalid URBs". A "Valid URB" is when a record was not TIR'd to NAVICP. When NAVICP and storage activities cannot identify the missing transaction, then an adjustment is required.

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Unreconciled Balances (URBs)

“Valid URB” thresholds are:

(Note: URB thresholds are determined at the Activity/NIIN//Purpose Code/Condition Code level)

\$0 to \$2,500	No authorization required (except for classified/sensitive items)
\$2,501 to \$100,000	NAVICP Branch Supervisor required
\$100,001 to \$1,000,000	NAVICP IAO required
greater than \$1,000,000	NAVICP Commanding Officer (CO) required

(1) UICP programs will automatically adjust all URBs (except for classified/sensitive items) over 180 days old that are at or below the dollar threshold of \$2,500. NAVICP shall execute appropriate UICP programs to post automatic adjustments not less than once each month. The URB Adjustment Checklist is not required for automatic adjustments; however, all automatic adjustments shall be summarized on the monthly URB Report (see report format at Figure 1).

(2) URBs with a value of \$2,501 to \$100,000. Branch Supervisor approval required subject to review of completed URB Adjustment Checklist.

(3) URBs with a value of \$100,001 to \$1,000,000. IAO approval required subject to review of completed URB Adjustment Checklist. Branch Supervisor will initial as the Authorized Reviewer on the URB Adjustment Checklist.

(4) URBs with a value greater than \$1,000,000. Commanding Officer approval required subject to review of completed URB Adjustment Checklist. Branch Supervisor and/or IAO will initial as the Authorized Reviewer on the URB Adjustment Checklist.

b. An “Invalid URB” is when all TIRs have been received and validated by NAVICP but there is still an unexplained difference between the storage activity on-hand balance and the MIF. Adjustment thresholds and required authorization are cited below.

“Invalid URB” thresholds (by NIIN/Activity/Purpose Code/Condition Code) are:

\$0 to \$25,000	NAVICP Team Leader required
greater than \$25,000	NAVICP Branch Supervisor required

(1) Invalid URBs generally result from unexplainable, programmatic errors internal to NAVICP, and not from stock point transmittals. Many invalid URBs are obvious, displaying features such as unusually large quantities in which all fields are filled (e.g., “999,999,999”), or may contain alpha characters for numeric values, etc.

(2) Branch supervisor discretion shall be used to make a determination that a URB is invalid, and (1) “strip” these URBs from the files in cases prior to a MIF/FICL reconciliation, or (2) adjust the files in cases of post MIF/FICL reconciliation. The URB Adjustment Checklist or an internal memo shall be used by the Branch Supervisor to document adjustments.

(3) It is understood that any action taken to cause programmatic errors internal to NAVICP MIF should also cause financial ledger posting errors, therefore, any stripping or adjusting of entries to correct the MIF must also be coordinated with the NAVICP financial ledger posting personnel to correct the financial ledgers.

c. Global adjustments may be accomplished for multiple URBs that have resulted from the same specific cause. A single checklist may be completed with the “Global” block annotated as

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Unreconciled Balances (URBs)

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the type of write-off. If global adjustments are performed, a listing must accompany the checklist that annotates the following information: NSN/NIIN, Condition Code, Security Code, Cognizance Code, Unit of Issue, URB date, and URB quantity. Global adjustments MAY NOT be accomplished for classified/sensitive items.

2. For instances where a contractor or TIRing activity no longer exists at the time the URB(s) is/are being researched, a manual write-off shall be accomplished if the URB cannot be resolved after extensive research.
3. When a Routing Identifier Code (RIC) changes for an activity (such as when an activity converts from CAMMS to CAV), all URBs shall be resolved and processed for the old RIC before the new RIC can be used. The UICP files must be cleaned up from any discrepancies under the old RIC in order to allow the new RIC to be processed.

04215 DISCUSSION

1. The above manual write-off policy recognizes the complexity of resolving URBs with ironclad evidence of individual causes, which is exacerbated as URBs age. These adjustment approval levels seek to properly balance the magnitude of each URB with the degree of research performed and an appropriate level of management attention.

04216 RESPONSIBILITIES

1. NAVICP will establish control of URBs generally giving priority to resolution of current disconnects and high dollar values, explosive and classified material. The term "resolution" explicitly means the ability to trace a URB value to an identifiable cause and make a correction that accounts for the original MSIR/MIF imbalance. Resolving URBs is the preferred result as opposed to taking an adjustment.
2. Upon adjustment approval, the appropriate transaction (C8A/C9A) will be posted to the following Standard General Ledger (SGL) accounts:
 - a. General ledger account 719126 - ICP Data File Adjustment (Gain). Increases in ICP Data File. (NOTE: This account will be 1529PC under MFCS.)
 - b. General ledger account 729126 - ICP Data File Adjustment (Losses). Decreases in ICP Data File. (NOTE: This account will be 1529ZE under MFCS.)
3. URBs which age to 180 days shall be manually adjusted prior to the next monthly key indicator report (see Figure 1). All URB adjustments shall be summarized therein as described in paragraph 04232 below.
4. Continued close liaison between NAVICP and storage activity personnel including visits to problem reporters is highly encouraged.
5. NAVICP shall research the cause of URBs and take corrective action(s) to prevent future URBs from occurring. This may require a coordinated effort between the NAVICP, reporting activities, FMSO, and other service components in order to obtain resolution. Any process/systemic problems that cannot be resolved without the assistance of higher headquarters should be elevated to NAVSUP 4B1 with a detailed explanation of the problem as well as the efforts of trying to resolve it.

Section II: RESEARCHING URBs

04221 RESEARCH TOOLS

1. ICP Transaction History File (THF). The THF has approximately two years of on-line history available for all transactions received for NSNs on the MDF. Output from the THF can be limited to the TIRs received from that activity where the URB occurred or all transactions for all activities can be retrieved. A URB generated at the ICP will be displayed by a "ZZ1" transaction on the THF. A URB generated at the UADPS activity will be displayed by a "D8B/D9B" transaction on the THF.
2. UADPS TLOD. ICP personnel may access and inquire the TLOD at any of the UADPS activities. TLOD provides approximately 6-9 months of transaction history to be compared to the THF in order to determine what transactions are missing that created the URB. On occasion, researching a URB may require more transaction history than what is available on-line within TLOD. Additional history may be obtained by requesting a hard copy printout from the activity.
3. DSS. ICP personnel may access and inquire DSS for those activities that TIR transactions either through UADPS to UICP or directly from DSS to UICP. DSS will provide an even closer source of information to compare to the THF in order to aid in resolving URBs. (See Part A, Section III above for procedures in obtaining information from DSS.) URB resolution may require the NAVICP to coordinate a resolution with the FISC because of outstanding URBs or other appropriate actions required by the FISC.
4. CAV. For those CAV activities required to TIR to the ICP, a transaction history may be requested from the CAV activity when trying to resolve URBs with that activity. Contracts with commercial activities should require them to TIR to the ICP whenever it is cost effective to do so.

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Unreconciled Balances (URBs)

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04222 URB ADJUSTMENT CHECKLIST - ICP

URB ADJUSTMENT CHECKLIST - ICP

TYPE OF WRITE-OFF: ___ Global ___ Individual

Complete the following only if the write-off addresses an individual URB record.

COG/NSN: _____ - _____ - _____ - _____ P/C: _____ C/C: _____ ARI: _____

SMIC: _____ U/I: _____ SEC CODE _____ URB Date: _____ URB QTY: _____

Total URB Value: \$ _____

Reason for URB and/or Write-Off (check as many as apply):

- Age exceeds NAVSUP threshold _____
- Previous adjustment _____
- Initial DZA _____
- Processing error _____
- Programmatic (identify nature of problem if possible) _____

Other (explain) _____

Action: (Check if action completed/Indicate "N/A" if not applicable)

- 1. URB aged over 120 days (invalid URBs do not require aging criteria). _____
- 2. Performed all daily TIR "reported" vice "received" matches. _____
- 3. URB correction not possible by: _____
 - a. TLOD comparison _____
 - b. Retransmission _____
 - c. Telephonic/message/email liaison _____
- 4. Program correction will not remove URB(s). _____
- 5. THF and TLOD fail to disclose missing TIR or correctable error. _____
- 6. TIR dupe match performed. _____

Remarks ("No" indicated under the "Action" section requires explanation):

Adjustment Date	Analyst (Signature)	Code	Ext.	Date
Authorized Reviewer (Initials)	Approving Authority (Signature)	Code	Ext.	Date

Section III: ADMINISTRATION

04231 RECORD RETENTION

1. URB Adjustment Checklist should be maintained for a period of two years for audit purposes. Write-offs of any URBs should be well documented and records maintained for a minimum of two years.

04232 NAVSUP REPORTING REQUIREMENTS

1. Statistical data is necessary to evaluate URB management and policy. The URB Key Indicator Report at Figure 1 shall be submitted to NAVSUP Code 4B1 by the 25th calendar day of the month following the month reported. Report Control Symbol 4443-1 is assigned to this reporting requirement.

2. NAVICP shall also provide a monthly report of the URB backlog by age (0-60 days, 61-120 days, 121-180 days, over 180 days). This report may be provided in a spreadsheet or graphic format.

3. NAVICP shall provide a monthly summary of FISC URBs shown at Figure 2 to NAVSUP 4B1 by the 10th calendar day of the month following the month reported. This report may be provided electronically on a spreadsheet or in hard copy format.

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URB KEY INDICATOR REPORT
 ORGANIC CAB ACTIVITIES
 (MONTH/YEAR)

RIC	Activity	URBs Pending	\$Value Pending	URBs Resolved*	DZAs Processed for Month	URB Rates Current Month / CUM FY / PREV FY
------------	-----------------	---------------------	------------------------	-----------------------	---------------------------------	---

Total Organic CAB

XXXXXX
(xxxxxx)

*Display in parenthesis the total number of URBs that were written off (both automatic and manual).

Figure 1

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URB KEY INDICATOR REPORT
 ORGANIC NON-CAB ACTIVITIES
 (MONTH/YEAR)

RIC	Activity	URBs Pending	\$Value Pending	URBs Resolved*	DZAs Processed for Month	URB Rates Current Month / CUM FY / PREV FY
------------	-----------------	---------------------	------------------------	-----------------------	---------------------------------	---

Total Organic Non-CAB

XXXXXX
 (xxxxxx)

*Display in parenthesis the total number of URBs that were written off (both automatic and manual).

Figure 1

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URB KEY INDICATOR REPORT
 COMMERCIAL (CAV) ACTIVITIES
 (MONTH/YEAR)

RIC	Activity	URBs Pending	\$Value Pending	URBs Resolved*	DZAs Processed for Month	URB RATES Current Month / CUM FY / PREV FY
------------	-----------------	---------------------	------------------------	-----------------------	---------------------------------	---

Total CAV

XXXXXX
 (xxxxxx)

*Display in parenthesis the total number of URBs that were written off (both automatic and manual).

Figure 1

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URB KEY INDICATOR REPORT
ADJUSTMENTS
MONTH/YEAR

Type	URB Adjustments (C8A/C9A) Quantity (auto)	\$ Value (auto)	URB Adjustments (C8A/C9A) Quantity (manual)	\$ Value (manual)
Organic CAB				
Organic Non-CAB				
Commercial (CAV)				
Month Totals				
YTD Totals				

Figure 1

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FISC PHYSICAL INVENTORY/URB STATS (\$)

MONTH/YEAR _____

ACTIVITY _____

PHYSICAL INVENTORY ADJUSTMENTS (RIC/ACTIVITY NAME) DOC #(UIC of FISC beginning with "SW")

(Fund Code 2F) (by BP)

ACCT 15291K	Prev FY Net	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	CY Net
(D8A)														
ADJUSTMENTS														
REVERSALS														
NET GAINS														

ACCT 1529UA	Prev FY Net	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	CY Net
(D9A)														
ADJUSTMENTS														
REVERSALS														
NET LOSSES														

END OF DAY ADJUSTMENTS (RIC/ACTIVITY NAME) DOC #(UIC of FISC beginning with "N")

(Fund Code 7H) (by BP)

ACCT 1529PG	Prev FY Net	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	CY Net
(D8B)														
ADJUSTMENTS														
REVERSALS														
NET GAINS														

ACCT 1529ZG	Prev FY Net	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	CY Net
(D9B)														
ADJUSTMENTS														
REVERSALS														
NET LOSSES														

Source: MFCS

Figure 2

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CHAPTER 5: INVENTORY ACCURACY OFFICER

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CHAPTER 5

Part A: INVENTORY ACCURACY OFFICER

Section I: GENERAL INFORMATION

05111 PURPOSE

1. The purpose of this chapter is to specify the roles and responsibilities for the Inventory Accuracy Officer (IAO) at Navy-owned storage activities, the Regional Inventory Accuracy Officer (RIO), and the IAO at the Naval Inventory Control Point (NAVICP). The accuracy of inventory and financial records at Navy storage activities and the Inventory Control Point is of paramount importance.

05112 SCOPE

1. There are many different functions that contribute to the accuracy, or inaccuracy, of inventory and financial records. Accordingly, it is necessary to designate the IAO with the broad responsibility of identifying problem areas and assisting in the development of corrective programs to ensure the integrity and accuracy of inventory records. Inventory accuracy covers such a broad spectrum of responsibilities; therefore, all duties and responsibilities may not be specifically listed in this chapter. Some general responsibilities and duties are included but they are not all inclusive. Each activity will have its own unique circumstances and areas that need oversight. The IAO will need to tailor and focus attention on those areas as appropriate.

Section II: REVIEW AND APPROVAL AUTHORITY

05121 GENERAL GUIDELINES FOR NAVY STORAGE ACTIVITIES

1. Requirements for review and approval of inventory adjustments vary according to whether the adjustment relates to controlled or non-controlled material at the storage activity. The matrix in paragraph 05122 provides the organizational review and approval requirements by dollar threshold. This requirement applies for adjustments generated as a result of an inventory and those, such as warehouse refusals and forced gains at UADPS storage activities, which are computer-generated and which must then be reviewed to determine whether they are valid. In the latter case, the decision that the computer-generated adjustment is valid will be reviewed and approved in accordance with the thresholds established below.

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05122 NAVY STORAGE ACTIVITY WITH NSA/APA INVENTORY OF \$10 MILLION OR GREATER

NAVY STORAGE ACTIVITY WITH NSA/APA INVENTORY OF \$10 MILLION OR GREATER

Required Level for Review and Approval	Extended \$ Value of Adjustment		Controlled
	Non-Controlled	Pilferable	Classified/ Sensitive
Director, Physical Inventory or equivalent, or designated representative(s)*	\$5,000 or more	\$2,500 or more	All
Director, Physical Inventory or equivalent and Inventory Accuracy Officer	\$16,000 or more	\$2,500 or more	All
Director, Physical Inventory and Inventory Accuracy Officer and Commanding Officer (Supply Officer at storage activities other than FISCs, and NSAs)	\$100,000	\$5,000	All

*To be designated in writing.

Part B: NAVY-OWNED STORAGE ACTIVITIES

Section I: ROLE AND ORGANIZATIONAL STRUCTURE

05211 ROLE

1. All Navy-owned storage activities with a combined inventory value in excess of \$10 million will designate in writing, and without financial liability, an IAO with the responsibility of reviewing, evaluating, and improving accountability procedures and inventory record accuracy, both item and financial. For Navy storage activities with a combined inventory value of \$500 million or greater, the IAO will be a permanent, full-time position filled by a naval officer in the rank of lieutenant commander or above, or by a civilian, GS-12 or above. At Navy storage activities with less than \$500 million in combined inventory, the position may be a part-time or collateral duty as circumstances warrant. The rank/grade of the IAO at those storage activities with a combined inventory value less than \$500 million must be consistent with the broad expertise required of the position.

a. When calculating the dollar value of inventory for assigning an IAO at a Navy-owned storage activity, include Navy Working Capital Fund material, sponsor owned material, and "W" and "L" purpose code material.

05212 ORGANIZATIONAL STRUCTURE

1. To the extent practicable, the IAO should function as direct staff to the Commanding Officer or to the Supply Officer. If the position is not established as direct staff:

a. The IAO must be allowed direct access to the Commanding Officer/Supply Officer. This relationship must be clearly established with a dotted line relationship on the organization chart. The IAO should be a position that is independent of stock control, item management, warehousing, physical inventory, and stores/material accounting functions. However, if this is not possible due to resource constraints, it is the responsibility of the Commanding Officer to ensure that appropriate checks and balances are in place so the incumbent can provide an independent assessment without compromise.

b. If the IAO is assigned as a collateral duty, the IAO responsibilities must take top priority over the other duties as assigned.

2. The IAO will function in the capacity of a project manager. As such, the authority of the IAO will extend across department/division lines and encompass all aspects of the organization whose work affects the accuracy of the inventory records, both item and financial. The IAO will be accorded the cooperation and assistance of personnel at all levels of those departments/divisions.

Section II: DUTIES AND RESPONSIBILITIES

05221 DUTIES

1. Some specific duties of the IAO are included below, but this list may not be all inclusive of what is required to maintain inventory record integrity.

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Inventory Accuracy Officer

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- a. Review management reports and listings as they apply to inventory accuracy to ensure performance goals are met and to identify problem areas and possible trends which indicate problem areas are developing.
- b. Initiate quality control checks to identify problems in various areas such as receiving, requisition processing, exception processing, causative research, etc.. It is recommended that quality control checks be done on a quarterly basis.
- c. Give attention to the accuracy of supply data and transaction documentation, compliance of procedures affecting inventory records with regulations and directives, and the validity and propriety of inventory accounting documents.
- d. Give special attention to the nature and frequency of inventory adjustments with a view towards determining and correcting their causes. This includes:
 - (1) Review and approve adjustments and their reversals, when appropriate, in accordance with the thresholds established in paragraph 05122.
 - (2) Require causative research on any adjustment, which in his/her judgement so warrants, even though the adjustment does not meet the causative research criteria established in Chapter 2.
- e. Submit reports to NAVSUP or cognizant chain of command as required by this publication. Partner sites may submit reports through the RIAO to NAVSUP.
- f. Coordinate with appropriate internal and external sources to identify process/systemic problems and develop and implement corrective actions for identified problems.
- g. Elevate any unresolved procedural and/or systemic problems to the supporting FISC if a U2 partner, or to NAVSUP or cognizant chain of command after all possible internal solutions have been exhausted.
- h. Participate in those projects and evaluations that may impact upon inventory accuracy of records. Examples include major rewarehousing evaluations, revisions to receiving/receipt control procedures, etc.
- i. Verify, at least semi-annually, that physical inventory procedures as described in this publication are followed. Particular attention will be paid to procedures involving reversals to prior inventory adjustments, and the propriety of those reversals.
- j. A sample of inventory adjustments will be reviewed to determine the accuracy and adequacy of inventory, reconciliation and research procedures. The sample will be taken from adjustments not already reviewed by the IAO in accordance with Chapter 2 and will be sized in accordance with the sampling table found in reference (j).
- k. Review and approve reversals to inventory adjustments made after 90 days (see Chapter 2 for further guidance on reversals).
- l. Ensure source documents and other such actions that are necessary to provide a ready capability for auditing the accuracy of the inventory records are maintained in accordance with established procedures.

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Inventory Accuracy Officer

- m. Review and approve (when appropriate) all Financial Liability Investigation of Property Loss reports (DD Forms 200), in accordance with Chapter 2.
- n. Interact with storage activities operating under Centralized Accounting and Billing procedures with cognizant ICPs to improve the accuracy of the ICP Master Data File (MDF) and the comparability of that file with the storage activity's Master Stock Item Record (MSIR).
- o. Ensure that all Missing, Lost, Stolen or Recoverable (MLSR) reports are completed for classified items in accordance with references (i) and (q). MLSR reports are now in the format of a SITREP. The DD Form 200 is no longer required for MLSR reporting.
- p. Ensure that all receipts and issues are reported properly in accordance with reference (a) in order to avoid stock-in-transit write-offs at the ICP.
- q. Maintain a Supply Discrepancy Report (SDR) management program (formerly RODs) that ensures that all SDRs are generated and tracked in accordance with Chapter 6. Ensure that the proper automated systems (i.e., AUTORODs, SITNET, etc.) are utilized and maintained in order to provide a most efficient means of tracking incoming and outgoing SDRs. Also, ensure that all incoming SDRs are resolved and a proper response is provided to the initiating activity.
- r. Maintain an inventory accuracy program that interfaces with all aspects of inventory accuracy, such as, monitoring receipt dues management, material in transit, stock in transit, warehouse refusals, causative research procedures and workload, location audit program and scheduled/unscheduled physical inventories. Conduct trend analysis and investigation of problem areas; and take necessary actions to ensure resolution of problem areas are implemented.
- s. Approve and sign for all "ZXA" transactions processed. Ensure the use of "ZXA" transactions are absolutely necessary and are used on a very limited basis.

05222 RESPONSIBILITIES

1. Each activity has its own unique situations and areas of responsibility. It is the responsibility of the IAO to address those areas and situations additionally as appropriate.
2. IAOs at partner sites should review partnership agreements at least annually to ensure compliance and to determine if changes should be made to reflect current operating policies and procedures.

Part C: FLEET AND INDUSTRIAL SUPPLY CENTERS (FISCs)

Section I: ROLE AND ORGANIZATIONAL STRUCTURE

05311 ROLE

1. The Regional Inventory Accuracy Officer (RIAO) is a title given to the IAO at the FISC. As the title implies, this position has oversight responsibility for the partner sites as dictated in the partnership agreement(s). The RIAO also provides general oversight for Navy owned material in co-located DLA warehouses. This implies a close working relationship with the DLA IAO and serves as liaison between DLA and Navy activities on inventory matters. The determination as to whether the position is full or part time is determined in the same manner as in paragraph 05211 for Navy-Owned Storage Activities.

05312 ORGANIZATIONAL STRUCTURE

1. To the extent practicable, the RIAO should function as direct staff to the FISC Commanding Officer or a designated representative. If the position is not established as direct staff:

a. The RIAO must answer directly to the FISC Commanding Officer. This relationship must be clearly established with a dotted line relationship on the organization chart. The RIAO should be a position that is independent of stock control, item management, warehousing, physical inventory, and stores/material accounting functions. However, if this is not possible due to resource constraints, it is the responsibility of the Commanding Officer to ensure that appropriate checks and balances are in place so the incumbent can provide an independent assessment without compromise.

b. If the RIAO is assigned as a collateral duty, the IAO responsibilities must take top priority over the other duties as assigned.

c. The relationship between the RIAO and the partner sites should be specifically stated in the partnership agreements. The responsibilities for inventory accuracy functions for the FISC and the partner site should also be defined in the partnership agreements.

2. The RIAO will function in the capacity of a project manager. As such, the authority of the IAO will extend across department/division lines and encompass all aspects of the organization whose work affects the accuracy of the inventory records, both item and financial. The RIAO will be accorded the cooperation and assistance of personnel at all levels of those departments/divisions.

Section II: DUTIES AND RESPONSIBILITIES

05321 DUTIES

1. PARTNERSHIPS. As a minimum (for partnerships where FISC has inventory accuracy responsibilities), the RIAO responsibilities should include, but are not limited to:

a. Provide oversight and guidance to partner sites on matters relating to inventory accuracy.

b. Review management reports and listings applicable to inventory accuracy for partner sites in order to identify problem areas and negative trends in inventory accuracy.

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Inventory Accuracy Officer

c. Coordinate resolution of process/systemic problems at the partner site(s) with appropriate organizations (NAVSUP, FMSO, DLA, etc.).

d. Ensure all partner sites are complying with physical inventory policies and procedures as stated throughout this publication.

e. Monitor performance of periodic quality control checks (in accordance with Chapter 7) at partner sites to determine compliance with this publication and problem areas not previously identified.

f. Coordinate with the partner sites on the submission of the various required reports as stated in this publication.

g. Ensure that physical inventories, causative research, location surveys, inter-service and intra-service location reconciliations, etc. are performed as required, and reporting requirements are met in accordance with this publication for partner sites.

h. Monitor the inventory accuracy program at the partner sites, to ensure appropriate policies and procedures are in effect and that performance goals are being met. Functional areas to be monitored include, but are not limited to: receipt processing, requisition processing, physical inventory functions such as inventory counts, causative research, inventory adjustments/reversals, etc., unreconciled balance (URB) procedures, ROD processing/tracking, stock in-transit, material in-transit, and receipt dues management.

i. Ensure that all physical inventory and end-of-day adjustments for classified and sensitive items listed in Appendix B are properly researched, resolved, and reported as required for the partner sites as well as any Navy-owned material stored at the co-located DLA warehouse .

j. Oversee the RODs and SITRODs generated at the partner sites and the co-located DLA warehouse for Navy-owned material to ensure all RODs/SITRODs are worked and a response provided to the appropriate activity within the timeframe stated in Chapter 6. Ensure all RODs/SITRODs for classified/sensitive items are worked expeditiously and a response provided to the appropriate activity.

k. For any FISC RIAO acting as the IAO for a partner site, ensure that all MLSR reports for classified items are completed in accordance with references (i) and (q). MLSR report is now in the format of a SITREP. The DD Form 200 is no longer required for MLSR reporting.

l. Perform quarterly control checks to identify problem areas affecting inventory accuracy. Take appropriate corrective actions to improve policies and procedures that have a determined effect on inventory integrity.

m. Approve and sign for all "ZXA" transactions processed by the FISC. Ensure the use of "ZXA" transactions are absolutely necessary and are used on a very limited basis by the FISC and partner sites.

2. DLA LIAISON. The RIAO also serves as the liaison for coordinating and resolving inventory accuracy problems for Navy-owned material stored in DLA warehouses. Although DLA has the ultimate responsibility for all material in their custody, the RIAO must ensure that inventory

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accuracy is maintained for all Navy-owned material and that all material on hand is properly accounted for on the Master Stock Item Record (MSIR). Particular interest should be directed to those process/systemic problems that create unreconciled balances (URBs) between DSS and UADPS. The RIAO is responsible for ensuring all URBs, regardless of dollar value, are researched and resolved with the proper corrective actions taken in accordance with chapter 4 of this publication.

05322 RESPONSIBILITIES

1. Each activity has its own unique situations and areas of responsibility. It is the responsibility of the RIAO to address those areas and situations additionally as appropriate.
2. Review partnership agreements at least annually to determine compliance and to make necessary changes to agreements based on current business practices.

Part D: NAVAL INVENTORY CONTROL POINT (NAVICP)

Section I: ROLE AND ORGANIZATIONAL STRUCTURE

05411 ROLE

1. The IAO at the NAVICP will be a permanent full time position. The position requires that the incumbent have a broad range of knowledge across department lines to ensure the records, both supply and financial, are accurate.

05412 ORGANIZATIONAL STRUCTURE

1. To the extent possible, the IAO should function as a direct staff answering to the Commanding Officer. The position should be organized as a component that is independent of the financial accountability/stores accounting and internal control functions of the comptroller department. However, if this is not possible due to resource constraints, it is the responsibility of the Commanding Officer to ensure that appropriate checks and balances are in place so the incumbent can provide an independent assessment without compromise.

Section II: DUTIES AND RESPONSIBILITIES

05421 DUTIES

1. The central responsibility of the IAO at the NAVICP is to ensure accurate maintenance of inventory records and the financial reflection of inventory records in the Master Data File (MDF) and Financial Inventory Control Ledger (FICL) respectively. Specific duties and responsibilities are listed below, but may not be all inclusive of what is required to ensure inventory record integrity:

a. Monitor and ensure procedural compliance with directives and publications which are pertinent to the accuracy of inventory and financial records.

b. Give attention to the accuracy of transaction item reporting documentation in order to ensure compliance with prescribed procedures and ensure the integrity of the ICP inventory data base with the stock point records. The responsibility encompasses both CAB and non-CAB stores accounts at Navy activities, other service activities, and commercial facilities. Ensure that all necessary transactions (receipts, issues, condition code transfers, inventory adjustments, etc.) from all government and commercial activities handling ICP owned material are properly posted to the UICP transaction history file as well as the applicable general ledger accounts.

c. Give attention to other related inventory and financial files that impact inventory accuracy (e.g., receipt due in/due out files, repairable tracking files, repair scheduling, Other Supply Officers (OSO)/Stock in Transit (SIT) suspense files, etc.).

d. Give attention to other stock point and ICP performance indicators that are affected by inventory accuracy (e.g., Supply Material Availability (SMA), bounceback statistics, referral and Point of Entry (POE) issue statistics, unreconciled balance statistics, location reconciliation results, etc.).

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- e. Perform trend analysis of various areas to identify, develop and implement required changes to resolve problem areas that impact inventory accuracy.
- f. Ensure that monthly MDF/FICL reconciliations are performed as well as a review/evaluation and correction of the disparities that are found.
- g. Ensure that the ICP requests physical inventories and location reconciliations of ICP owned material as required by this publication.
- h. Ensure that the ICP reporting requirements spelled out in this publication are met.
- i. Monitor physical inventory adjustments in an effort to evaluate and identify deficiencies and trends. Ensure corrective actions are taken to resolve systemic and procedural problems that result in inaccurate inventory records. Any system/process problem that cannot be resolved without the assistance of higher headquarters should be elevated to NAVSUP 4B1H and complete documentation of prior actions taken should be provided.
- j. Monitor URBs between UADPS and UICP and review/authorize write off requests after extensive research has been accomplished and discrepancy cannot be resolved. Write-offs for URBs should not exceed the amount specified in the business plan.
- k. Prepare and submit a written report quarterly to the NAVICP Commanding Officer and to NAVSUP 4B1H on the status of the Inventory Accuracy Program. The report should contain an evaluation of the current status; an analysis of the problems, both actual and potential; and recommendations for improvement.
- l. Ensure that the quarterly Inventory Control Effectiveness Report is completed and submitted to NAVSUP 4B1H along with a written analysis of the report in accordance with Chapter 8.
- m. In some cases (e.g., for commercial activities) the NAVICP IAO will be required to obtain completed MLSR reports for inventory/SIT adjustments of classified material that cannot be explained prior to write-off. The IAO will coordinate this responsibility with the reporting activity. MLSR reports are now in the format of a SITREP. A DD Form 200 is no longer required for MLSR reporting.

05422 RESPONSIBILITIES

1. The NAVICP IAO has full responsibility of ensuring that all NAVICP inventory records have the highest accuracy possible. Process/systemic problem areas should be identified and researched for possible solution. Any problem(s) that cannot be resolved without the assistance of higher headquarters should be addressed to NAVSUP 4B1H for further resolution.

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CHAPTER 6

SUPPLY DISCREPANCY REPORTS

Part A: SUPPLY DISCREPANCY REPORT (SDR)

Section I: ADMINISTRATION

06111 GENERAL

1. The SDR Program is a discrepancy reporting and resolution system and a tool to measure the quality of shipper performance and customer support. A strong SDR program contributes significantly to improvements in inventory accuracy and accountability. This chapter describes Navy policy and procedures for reporting and resolving shipping (item) and packaging discrepancies and Stock-in-Transit (SIT) SDRs. This directive implements and supplements DLAI 4140.55/SECNAVINST 4355.18A/ AFJMAN 23-215, Reporting of Supply Discrepancies.
2. Submission of SDRs via electronic/automated means is authorized. Activities are encouraged to maximize the use of electronic reporting/response with the goal of paperless processing of supply discrepancies. Electronic means include automated discrepancy reporting system and electronic data interchange (EDI), customer service help lines, e-mail, WEB site, or any other manner acceptable to the submitter and recipient. Where access to the electronic SDR and associated supply information is available, hard-copy documents will not be mailed unless requested by either the submitter or recipient. All manner of reporting must meet the criteria described in this document for the SF 364.
3. Activities should use SDR data to identify trends that warrant further investigation. When SDRs are repeatedly rejected or denied by the action activity, the receiving activity should analyze the reasons for such rejections. Investigation may reveal that material loss or damage is actually occurring within the activity after material receipt. Shippers causing high numbers of SDRs should be contacted to determine possible mutual actions to reduce discrepancies. Examples of trends are:
 - a. Shipper/issuing activity responsible for high volumes or percentages of discrepant receipts.
 - b. Types of discrepancies.
 - c. Dollar value of receipts compared to the dollar value of SDRs.
 - d. Types of SDR responses received.
4. Distribution depots will report receipt of unauthorized returns (Not IMM/ICP directed) to the ICP, regardless of condition of material. Unauthorized returns are subject to recoupment action for disposal or repackaging costs incurred by the distribution depot.
5. The material owner is responsible for funding packaging costs associated with preparing material for storage and reissue. Packaging discrepancies occurring in material returns are subject to recoupment action at the discretion of the receiving material owner. If the packaging

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is so bad that the item must be forwarded to DRMO, the shipper may be required to reimburse the receiver for packing required to effect the shipment and the cost of turning in to DRMO.

6. Material temporarily suspended from issue because its true condition or final disposition is unknown must be appropriately classified in condition code J, K, or L. L condition code is assigned to material that is being held pending litigation or negotiation with a contractor or another stock point. Material suspended in L condition code has to be supported by specific documentation.

a. In accordance with NAVSUPINST 4400.91A, prepare SDR form SF-364 for material suspended in 'L' condition in cases involving shipping (item) and packaging discrepancies as supporting documentation.

b. Receipts of overages and shortages should be accomplished in items of quantity actually received and not placed in "L" Condition if the material is in Ready-For-Issue (RFI) condition.

7. The NAVSUP mailing address for all SDR program matters and monthly/quarterly reports is:

COMMANDER, NAVAL SUPPLY SYSTEMS COMMAND (SUP 4B)
5450 CARLISLE PIKE
P.O. BOX 2050
MECHANICSBURG, PA 17055-0791

06112 SCOPE

1. The SDR applies to the identification, reporting and resolution of discrepant shipments of material occurring in the Department of Defense (DOD) Logistics System when the shipping (item) and packaging discrepancies are attributable to a shipper (issuer) error.

2. Shipments of new production material and reworked material are included in this system. Also included are discrepancies on material received from contractors, other supply officer (OSO, Navy to Navy) transfers, material turned into stores (MTIS) and to Defense Redistribution and Marketing Service (DRMO) and discrepancies involving shipments to or from Security Assistance, Grant Aid, and Military Assistance Program customers.

3. All elements of the U.S. Navy receiving or shipping (issuing) material through the U.S. Navy Supply System, the DOD, or General Services Administration (GSA) Supply Systems shall process SDRs as prescribed in this chapter.

4. Discrepancies that are reportable as SDRs occur before the material is placed into the Transportation System. Discrepancies that occur while the shipment is in-transit (i.e., are the fault of the carrier) are reportable on a Transportation Discrepancy Report (TDR), SF 361, in accordance with DOD 4500.9-R, Defense Transportation Regulation, Part II, Cargo Movement.

5. Shipping (Item) discrepancies are variations in the quantity or condition of goods from that shown on the shipping document (i.e., DD/GSA Form 1348-1, purchase order, contract, DD-250) due to:

- a. Receipt of material for canceled requisitions
- b. Condition misrepresented

- c. Documentation errors
 - d. Duplicate shipment
 - e. Expired shelf life
 - f. Incorrect item
 - g. Misdirected shipment
 - h. Missing part
 - i. Overage/Shortage
 - j. Technical data missing or erroneous
 - k. Total nonreceipt of material
 - l. U.S. Postal Service shipment not received or damaged
 - m. Unauthorized customer returns
 - n. No advance record of shipment
 - o. Lumber discrepancies
 - p. Repetitive shipping discrepancies
 - q. Other discrepancies not described unless specifically excluded by this publication
6. Packaging discrepancies are those deficiencies in packaging that cause material to be vulnerable to loss, damage or delay, due to:
- a. Improper packaging
 - b. Improper customer returned material
 - c. Improper packing
 - d. Improper preservation
 - e. Improper marking
 - f. Improper unitization
 - g. Mission or life endangering
 - h. Hazardous material
 - i. Excessive packaging

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- j. Personal property packaging discrepancies
 - k. Discrepancies causing delay or additional cost
 - l. Latent packaging discrepancies
 - m. Repetitive packaging discrepancies
7. Discrepancies excluded from SDR reporting:
- a. Shipping discrepancies found while material is in storage with the exception of short shipment and wrong item discrepancies discovered upon opening a sealed vendors pack (exception applicable to U.S. Government only).
 - b. Discrepancies involving local base or station deliveries to or return from internal or satellite activities. However, this exclusion is not applicable to on-site Defense Distribution Depot shipments or Fleet and Industrial Supply Center (FISC)/FISC partner activity shipments.
 - c. Discrepancies involving shipments of privately owned vehicles.
 - d. Discrepancies involving shipments on requisitions or purchase orders from personnel services activities that cite nonappropriated funds.
 - e. Transportation discrepancies to the extent covered by DOD 4500.9-R, Defense Transportation Regulation, Part II, Cargo Movement, except as specifically permitted under Security Assistance procedures.
 - f. Product quality deficiencies to the extent covered by DLAD 4155.24/AR 702-7/SECNAVINST 4855.5A/AFI 21-115, Product Quality Deficiency Report Program, and DLAR 4155.28, Reporting and Processing Medical Material Complaints, except as specifically permitted under Security Assistance procedures.
 - g. Shipping discrepancies involving personal property shipments with the exception of packaging discrepancies.
8. Shipping (item) and Packaging discrepancies for Other Supply Officer (OSO) shipments can be reported on a SDR to the shipper and the shipper is authorized to process a credit summary if required. When the credit summary is received the M5 loss will be reversed and a credit receipt processed to match the credit summary.
- a. The submitting activity will not submit a NAVCOMPT Form 168 based on an unmatched OSO summary for the same document number. This would cause duplicate work for both the SDR submitter and the action activity. An exception is if the SDR response is identified as a billing problem. In that case, a NAVCOMPT Form 168 will be forwarded to the ICP.
 - b. OSO shipments connected with the material returns program, specifically, off-loads from Special Accounting Class 207 ships are excluded. SDRs will not be sent to ships based on unmatched summaries resulting from off-loads.
 - c. SDRs must be submitted in accordance with SDR regulations and time submission criteria.

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06113 GOALS

1. The goals of the SDR program are to highlight breakdowns in the physical distribution process and to resolve customer complaints. The following performance goals have been established by NAVSUP for incoming SDRs received by stock points:

a. Number of valid SDRs is 0.5% of issues. A valid SDR is one that is accepted for processing (meets submission criteria) and the shipper accepts liability for the discrepancy (response categories credit authorized and other).

b. 100% processed on time. SDRs processed on time are those SDRs for which responses have been accomplished within 30 days of receipt.

06114 RESPONSIBILITIES

1. Naval Supply Systems Command

a. Manage the SDR segment of the Product Deficiency Reporting and Evaluation Program (PDREP) in accordance with SECNAVINST 4855.3A.

b. Develop, review, and update SDR policies and procedures.

c. Provide technical assistance to Navy activities as required and act as the Navy focal point for contested SDRs.

d. Provide management reports as required.

2. Major Claimants

a. Monitor compliance of subordinate activities with the SDR program and initiate corrective action as required.

b. Monitor, summarize, and forward the Quarterly Outgoing SDR Summary Report for their subordinate activities to NAVSUP.

c. Evaluate the effectiveness of the program and recommend changes to SDR procedures to NAVSUP.

3. Fleet and Industrial Supply Centers

a. Negotiate Memorandum of Agreement with partner sites to define responsibilities for the SDR process.

b. Monitor compliance of partnered sites with the SDR program and initiate corrective action as required.

c. Monitor, evaluate, summarize, and forward the Quarterly Outgoing SDR Summary Report for their partnered sites to NAVSUP.

d. Designate staffing and automated data processing resources to effectively process SDRs.

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e. Ensure the SDR process is performed for items listed on the Memorandum Account 550 (Credit Due) Report with "L" in the MTIS Code field.

f. Ensure the SDR process is carried out for all overage Material in Transit (MIT) transactions.

g. Evaluate the effectiveness of the program and recommend changes to SDR procedures to NAVSUP.

4. Naval Inventory Control Point

a. Resolve SDRs on material procured for direct delivery to a Navy activity when NAVICP is the Procuring Contract Office (PCO).

b. Monitor for billing adjustment when the non-Navy PCO indicates financial adjustment will be processed.

c. When needed, identify the PCO or the Contract Administration Office (CAO), notify the submitting activity and forward the SDR to the PCO/CAO.

d. When requested, assist PCOs outside of the ICP as required to resolve SDRs.

e. When requested, assist Navy stock points to resolve SDRs involving technical questions.

f. Manage the Stock-in-Transit (SIT) SDR processing function, identify problems and ensure corrective action is taken as appropriate.

g. Provide SDR statistical reports required by NAVSUP.

h. Ensure that incoming SDR data is used to identify problem areas and ensure that corrective action is initiated.

i. Provide data for PDREP as required.

5. Stock Points

a. Designate a central control point for out going SDRs to avoid duplicate submissions and enable compliance with SDR program requirements. The Receiving Division is normally the most logical choice for this task. Responsibilities included trend analysis, identification of problem shippers or in-house receiving problems, MLSR reporting and initiating corrective action as appropriate. Other functional areas within a command should provide information and documents to the SDR submission central point as required. (**Note:** SDRs initiated by ATAC Hubs on discrepant non-ready-for-issue repairable turn-ins should not be processed through the central control point.)

b. Designate a central control point for all incoming SDRs, including SIT SDRs. This organization will determine internal processing actions required to resolve individual SDRs; ensure integrity between the stock record, warehouse quantity and corrective action taken; and provide SDR responses within the required time frames. This responsibility should be assigned to the Inventory Integrity function. (SIT SDRs for ATAC HUB transshipment may be excluded and forwarded directly to the ATAC HUB for processing and control.)

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- c. Ensure that incoming SDR data is used to identify problems in the pick, pack and shipment processes and initiate corrective action.
- d. Prepare surveys as required and maintain files to support survey actions.
- e. Respond to requests from the ICPs for investigations on SDRs against their managed material.
- f. Provide SDR statistical reports required by NAVSUP.
- g. Provide SDR data for PDREP as required.

6. Navy Ships and Shore Activities

- a. Process supply discrepancies in accordance with this instruction. SDRs are mandatory both within the Navy and with other services or agencies. Failure to submit SDRs will jeopardize customer receipt of financial or material reimbursement and allow systemic distribution system problems to continue unchallenged.
- b. Submit SDR summary reports to designated reporting senior as required.

06115 DOLLAR VALUE SUBMISSION THRESHOLDS

1. Report all discrepancies involving Classified, Sensitive, or Pilferable material regardless of dollar value.
2. Recipients of DLA and GSA directed shipments may report shipping and packaging discrepancies for action regardless of dollar value at their option.
3. Discrepancies will be reported when the dollar value exceeds the listed dollar threshold:

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Shipping:	Dollar Threshold
Cancelled Material	\$100.00
Condition Misrepresented	\$100.00
Missing Part - material received for repair which has been cannibalized or nonexpendable parts or components (including cannibalization of nonexpendable Basic Issue Item or a nonexpendable Supply System Responsibility Item without the authorization of the inventory manager)	\$100.00
Overage/Shortage	\$100.00
Total Nonreceipt (shipped via traceable means) - only when determined the nonreceipt is not a transportation discrepancy	\$100.00
U. S. Postal Service (nontraceable) - not received or received in a damaged condition	\$100.00
Discrepant shipments from contractors/manufacturers or vendors	\$-0-
Documentation	\$-0-
Duplicate Shipment	\$-0-
Expired Shelf Life	\$-0-
Incorrect Item	\$-0-
Misdirected	\$-0-
Technical Data	\$-0-
Repetitive Discrepancies, all codes	\$-0-
Packaging:	
Cost of correcting improper packaging (estimated or actual cost)	\$100.00
Value of the item, shipment, or package (regardless of the cost to correct the packaging discrepancy)	\$2500.00
Damaged material that may endanger life, impair combat or deployment operations, or affect other material	\$-0-
Discrepancies resulting in delay or additional packaging costs at aerial or water terminals or at consolidation and containerization points	\$-0-
Excessive packaging by contractors resulting in additional cost to the government	\$-0-
Hazardous material (includes ammunition and explosives) resulting in a potentially hazardous condition	\$-0-
Improper identification of containers or items which requires opening the container or results in improper storage of the material	\$-0-
Improper preservation of any material identified as being electrostatic/electromagnetic (ES/EM) sensitive	\$-0-
Material shipped without a required reusable container	\$-0-
Packaging discrepancy involving shipments of personal property not conforming to specifications (ocean and aerial terminals only)	\$-0-
Repetitive Discrepancies, all codes	\$-0-

06116 TIME SUBMISSION THRESHOLDS

1. Receiving Activities and/or transshipment activities will submitted a SDR as soon as possible but not later than the listed time standards.

a. For shortages or overages in shipments of controlled inventory items arms, arms parts, ammunitions, and explosives report within 24 hours of discovery.

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b. All other discrepancies

(1) CONUS destinations: 90 calendar days from date of shipment.

(2) U.S. Government overseas destinations: 150 calendar days from the date of shipment.

Note: In the event that shipping status is not provided, the BA status date (supply status indicating that the item requisitioned is being processed for release and shipment) should be used in place of the shipping date to calculate the date when the SDR must be received by the action activity. This time limit applies to both shipments that have been received and to total nonreceipt of shipment.

c. When circumstances prevent compliance with the specified time standards (e.g., response to a tracer action reveals a supposed transportation discrepancy to be a shipping/packaging discrepancy), the reasons for delay will be annotated or identified by discrepancy code. The submitter must also provide information marked on the container in question, i.e., NSN, requisition number, contract number, manufacturer. SDRs that do not meet the reporting criteria or specified timeframes and do not present sufficient justification will be denied.

d. Time limits do not apply to short shipment and wrong item discrepancies discovered upon opening a sealed vendor pack.

e. Time limits for reporting of discrepancies relating to contractor warranties are prescribed in individual warranty clauses and/or contracts. These time limits override other time limits specified here.

2. Action activities will respond to SDRs in the listed time frames.

a. 30 calendar days from date of receipt of reports by the action activity when associated with shipments of controlled inventory items.

b. 30 calendar days from date of receipt of report by the action activity.

Note: SA customers have unique time frame requirements (see Part B, Security Assistance).

06117 CONTROLLED INVENTORY ITEMS

1. These are items designated as having characteristics that require them to be identified, accounted for, secured, segregated, or handled in a special manner to ensure their safeguard or integrity. Controlled inventory items in descending order of degree of control normally exercised are:

a. Classified Items - Material that requires protection in the interest of national security IAW DOD 5200.1-R, Information Security Program.

b. Sensitive Items - Material which requires a high degree of protection and control due to statutory requirements or regulations, such as narcotics and drug abuse items; precious metals; items which are of a high value, highly technical, or hazardous nature and small arms, ammunition, explosives, and demolition material.

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- c. Pilferable Items - Material having a ready resale value or application to personal possession and which is readily subject to theft.
2. SDRs will be submitted for shortages or overages in shipments of controlled inventory item arms, arms parts, ammunitions, and explosives, regardless of dollar value, within 24 hours of discovery.
3. SDRs will be submitted and accepted for shipping-type (issue) and packaging discrepancies on all controlled inventory items regardless of dollar value or time frame.
4. The submitter will provide a copy of the Serious Incident Report (SIR), or other component-required report, regarding controlled inventory items believed to be stolen, lost, or unaccounted for. When available, photographic/pictorial evidence of the discrepancy should also be provided.
5. Action activities will report SDRs for Controlled Inventory items to the Inventory Accuracy Officer (IAO) and the Security Officer who should be involved in further actions to resolve the discrepancy.
6. An investigation will be conducted immediately and, at a minimum, include an analysis of:
 - a. Physical inventory/transaction ledger research.
 - b. Custodian ledgers.
 - c. Research of shipping documentation.
 - d. Tracing the material movement from warehouse to shipping area and a search of shipping area.
7. If the SDR investigation results in suspected theft, the Security Officer will contact the Naval Criminal Investigative Service.
8. The Commanding Officer, the IAO, or the Physical Inventory Division Director will review all findings and approve action and final disposition of the SDR.

06118 MISSING, LOST, STOLEN OR RECOVERED (MLSR) REPORTS

1. Incidents involving missing, lost, stolen, or recovered material (classified items only) in the supply system must be reported in accordance with references (i) and (q).
2. The Situation Report/Operation Report (SITREP/OPREP) is used as a reporting document for the MLSR program. In cases of receipt shortages/overages of a classified item that cannot be explained, the storage activity will submit a SITREP/OPREP through the security officer or supply officer to the Commanding Officer explaining the circumstances involving the missing, lost, stolen, or recovered item.
3. All unresolved Stock in Transit (SIT) SDRs for classified items must be reported via the SITREP/OPREP to NAVICP.

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4. A copy of all SITREP/OPREP reports that explain missing, lost, stolen, or recovered classified items must also be provided to NAVSUP 4B1.

06119 REPORTING REQUIREMENTS

1. All activities accountable for Navy material are required to provide SDR data by submitting the appropriate SDR Report as directed to either the Major Claimant, FISC, or NAVSUP. The Automated Supply Discrepancy Report (AUTOSDR) and Customer Complaint Report of Discrepancy System (CC SDR) contains programs that generate these reports.

SDR REPORTS

Quarterly Outgoing SDR Summary Report - Other, NAVSUP 4440-97. Activities submit this report to their major claimant or FISC no later than 15 days following the end of each quarter.

Quarterly Incoming/Outgoing SDR Summary Report - Major Claimant, NAVSUP 4440-97. The Major claimants summarize individual activity quarterly reports and submit to NAVSUP no later than 30 days following the end of the quarter.

Quarterly Incoming/Outgoing SDR Summary Report - Stock Points, NAVSUP 4440-97. Major stock points submit to NAVSUP and NAVICP no later than 30 days after the end of the quarter.

Quarterly Incoming SDR Summary Report - ICP, NAVSUP 4440-98. The NAVICP submits to the NAVSUP POC no later than 15 days after the end of the quarter.

Quarterly Outgoing SDR Summary Report - NAVICP-OF, NAVSUP 4440-99. The NAVICP International Programs Directorate submits SA SDR information to NAVSUP no later than 15 days after the end of the quarter.

Monthly SIT SDR Summary Report - Stock Points, Program ID RR2OR710. Major stock points responsible for the movement of Navy material submit report to NAVSUP and NAVICP no later than 15 days after the end of the month.

Section II: OUTGOING SDR GUIDANCE

06121 GENERAL

1. Receiving activities are responsible for submitting SDRs correctly and within the prescribed time frames. SDRs for material received will include a copy of the receiving document, i.e., DD 1348-1, DD 250, etc., with receipt date annotated, unless the shipper failed to provide the document. Any information or documents that will help the action activity resolve the SDR should be forwarded with the SDR.

2. Material in Transit records should be matched against the Receipt Due File and the SDR files to ensure duplicate SDRs are not prepared. Review the transaction ledger, receipt documents, and exception listings. Conduct a search of frustrated material, the receiving area, former warehouse locations and a spot inventory to see if material has been received.

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- a. If the material has been received and the receipt has not been processed, process the receipt.
 - b. If the material has not been received, submit the SDR to the billing activity.
3. For UADPS activities, the Memorandum Account 550 (UF43G) Report should be matched against the SDR files to ensure SDRs and follow-ups on previously submitted SDRs are occurring in all cases required, including cases with "L" in MTIS Code Field. Forward a copy of the SDR reply to Accounting.
4. Activities receiving ICP managed material that has been purchased and shipped direct from a vendor for stock will submit SDRs to the Procuring Contracting Office (PCO) when discrepant material is received. Submitters will monitor SDR responses and follow up to ensure corrective action is provided. If the SDR involves a shortage or overage and the PCO indicates a billing adjustment will be processed, the submitter will forward the SDR reply to the applicable ICP. The ICP will monitor billing adjustment action from the vendor.
5. Receivers should monitor due-in records using manual or automated systems to ensure SDRs for overdue shipments are submitted in accordance with the prescribed time frames. The receiving activity will perform investigative research prior to SDR submission.
- a. If traceable shipment mode is recorded on the Receipt Due File, shipping status (AS__), and the material has not been received within 45 days of this status for CONUS activities or 90 days for OCONUS activities:
 - (1) Review the transaction ledger, receipt documents, and exception listings. Conduct a search of frustrated material, the receiving area, former warehouse locations and a spot inventory to see if material has been received.
 - (2) If the material has been received and the receipt has not been processed, process the receipt.
 - (3) If the shipping documentation shows that the shipment did not arrive, trace the shipment back through the transportation system or submit a Transportation Discrepancy Report (TDR) under DOD 4500.9-R, Defense Transportation Regulation, Part II, Cargo Movement.
 - b. If non-traceable shipment mode (parcel post or a local delivery shipment) is recorded on the Receipt Due File, shipping status (AS__) and the material has not been received within 45 days of this status for CONUS activities or 90 days for OCONUS activities:
 - (1) Review the transaction ledger, receipt documents, and exception listings. Conduct a search of frustrated material, the receiving area, former warehouse locations and a spot inventory to see if material has been received.
 - (2) If the material has been received and the receipt has not been processed, process the receipt.
 - (3) If the material has not been received 60 days from status date:
 - (a) Submit a SDR.

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(b) For UADPS activities, process a receipt with FIR Code M5, Shipper's Loss. This will clear the Due File for reordering, and create an audit trail whereby Accounting will offset or adjust off future billing adjustments by the shipper.

(c) Forward a copy of the SDR reply to Accounting.

c. If status is an open BA on the Receipt Due File and material has not been received within 60 days of this status for CONUS activities or 120 days for OCONUS activities:

(1) Submit a SDR. The shipper should research the SDR and provide shipping mode and date.

(2) If the SDR reply advises that the shipment was made, conduct research according to the mode as described above.

(3) If the SDR reply advises credit being processed:

(a) Process a receipt with FIR Code M5, Shipper's Loss. This will clear the Due File for reordering, and create an audit trail whereby Accounting will offset or adjust off future billing adjustments by the shipper.

(b) Forward a copy of the SDR reply to Accounting.

Note: Depot Level Repairable (DLR) credit will be automatic if traceable proof of shipment cannot be provided or if proof of delivery signatures (or equivalent) cannot be provided for locally delivered DLR.

6. SDRs are not submitted by a receiving activity when the difference in the shipment was a permissible variance under MILSTRIP procedures or due to a requisitioning error. In these instances material should be turned in under the Materiel Returns Program and the correct item reordered. Examples include:

a. Substitute/interchangeable material was provided and the requisitioner did not use an advice code prohibiting substitution.

b. Quantity furnished was rounded to unit pack and the requisitioner did not use an advice code requiring exact quantity.

7. Activities preparing SDRs will maintain a control system. This control may be accomplished in either a manual or automated mode and will contain a record of all SDRs. A file containing retained SDR, SDR reply and SDR follow-up copies, copies of pertinent shipping documents and a control log for SDR number assignment and status entries (i.e., "completed, canceled, follow-up due (date)") will meet the minimum requirement for a manual SDR control system. The record will contain, at the minimum, the following data:

a. SDR report number

b. Date SDR was submitted

c. Action addressee

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- d. Requisition and/or contract number
 - e. NSN - include cognizance symbol
 - f. Extended money value
 - g. Discrepancy cited
 - h. Action requested
 - i. Date reply received
 - j. Reply (i.e., credit allowed/denied, SDR rejected, material to be returned, reshipment being provided)
 - k. Follow-up date
8. Retain closed SDR case files for a period of two fiscal years after the reply is received from the action activity. Maintain separate case files for each fiscal year. Records can be maintained either in an electronic or paper form. Open SDRs will be retained in a suspense file pending resolution.

06122 DEPOT LEVEL REPAIRABLES (DLRs)

1. The Advanced Traceability and Control (ATAC) Program provides in-transit visibility of repairables returning from end-users to the Designated Overhaul Point (DOP) via ATAC Hubs. ATAC Hubs at stock points receiving retrograde DLRs are required to screen receipts to determine if discrepancies exist.
2. ATAC Hubs and Nodes will report all shipping (item) and packaging discrepancies via SF364 and forward a copy of the SDR to:
 - a. The cognizant ICP.
 - b. The turn-in activity.
 - c. The turn-in activity's Type Commander (TYCOM).
3. The SDR is information only for the turn-in activity and the TYCOM. The ICP may later contact the turn-in activity with a notification of potential billing adjustment when the discrepancy involves turn-in of a wrong item.
4. SDRs initiated by ATAC Hubs on discrepant non-ready-for-issue repairable turn-ins should not be processed through the central control point.
5. The receiving activity's action is complete after submission of the SDR and forwarding of information copies, unless the inventory manager specifically requests further action.

06123 ICP/IM ACTION ON DISCRPANCIES ON REPAIRABLES TURN-IN

1. SDRs and ATAC Hub discrepancy listings resulting from full screen of NRFI repairable turn-

ins will be forwarded to the cognizant ICP for possible billing action. When the turn-in involves an exchange requisition, the ICP will determine if the item received is acceptable based on family relationship. If the item is not acceptable, a billing will be processed to charge the customer for the carcass not returned. A determination will then be made, using the Material Returns Program, if credit is allowed for the erroneous material received. The IM will advise the turn-in activity of action taken.

06124 CATEGORIES OF DISCREPANCIES

1. Condition of Material - Codes C1 through C5. Prior to filing an SDR for expired shelf life (C2), access the DOD Quality Status Listing or Materiel Quality Control Storage Standards to determine if Type II (extendible shelf life) items may be extended. For GSA-managed items, contact the Shelf-Life hotline to determine if the expiration date has been extended.
2. Supply Documentation - Codes D1 through D3
 - a. Report only when the receipt cannot be properly processed.
 - b. Ensure that supposedly missing or incomplete supply documentation is not located or concealed in another part of the shipment.
3. Billing and Financial Discrepancies - Codes B1 through B3 and F1. Used for Security Assistance SDRs only.
4. Lumber - Codes L1 through L8. Covers Federal Supply Class 5510, 5520, and 5530 material.
5. Misdirected - Code M1. Applies to a delivery error caused by the shipper using an incorrect address or shipping instructions. A delivery error caused by a carrier (marking and routing were correct, but delivered incorrectly by carrier) is a transportation discrepancy, not supply discrepancy, and are documented as a Transportation Discrepancy Report (TDR).
6. Overage, Duplicate, or Receipt of Canceled Material - Codes O1 through O8
 - a. Applies to discrepancies where the quantity received is greater than that ordered or shown on the shipping documents. Overages that exceed quantity shown on transportation documents are reported as TDRs.
 - b. Overages on SEAVAN/container that are source loaded and move under the shipper's load and count, and arrive at destination with original seal(s) intact, are considered a shipping-type discrepancy.
 - c. The Defense Personnel Support Center uses the average net weight lot system when shipping perishable freeze and chill items. Actual weight received may differ from actual weight requisitioned or shown on the shipping documentation. If the number of cases/containers received agrees with the number shown on supply documentation and actual weight received is within weight range variation, a SF 364 will not be submitted for an overage.
 - d. A quantity variance may be authorized under the terms of accompanying purchase order or contract, if the material was shipped directly from the vendor. Discrepancies that fall within allowable variables are not subject to SDR action.

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e. Discrepancy code 03 is cited when a shipment is received which corresponds exactly to a previous shipment but was ordered only once.

7. Packaging Discrepancies - Codes series P1 through P4

a. Any packaging discrepancy viewed as potentially hazardous, or resulting in damaged material which may endanger life, impair combat or deployment operations or affect other material, will be reported immediately to the shipping activity, contracting office and control point by the quickest communication medium to enable the shipper to take immediate corrective action.

b. SDRs submitted due to improper unitization that creates hazards or potential damage will be accompanied by copies of the issue documents.

c. If the packaging problem has potential for system wide effects, provide the packaging control point with the SDR, SDR reply and all documentation available including a POC.

8. Product Quality (Item) Deficiency - Codes Q1 through Q8. Used for Security Assistance SDRs only.

Note: U.S. receipts of quality deficient material should be reported on a SF 368, Quality Deficiency Report (QDR) in accordance with SECNAVINST 4855.5A, Product Quality Deficiency Reporting Program.

9. Shortage or Nonreceipt - Codes S1 through S9

a. Applies to discrepancies where the quantity received is less than that ordered or shown on the shipping document or total nonreceipt of item(s) shipped. Transportation-type shortages are reportable as TDRs.

b. Total non-receipt is considered a material shortage if no proof of shipment is posted/provided 30 days after "BA" status.

c. Shortages on SEAVAN/container that are source loaded and move under shipper's load and count, and arrive at destination with original seal(s) intact, are considered a shipping-type discrepancy.

d. The Defense Personnel Support Center uses the average net weight lot system when shipping perishable specification freeze and chill items. Actual weight received may differ from actual weight requisitioned or shown on the shipping documentation. If the number of cases/containers received agrees with the number shown on supply documentation and actual weight received is within weight range variation, a SF 364 will not be submitted for any shortages.

e. A quantity variance may be authorized under the terms of any accompanying purchase order/contract, if the material was shipped directly from the vendor. Discrepancies that fall within allowable variables are not subject to SDR action.

10. Item Technical Data/Markings - Codes T1 through T9. Report missing and/or incomplete item technical data, e.g., name plate, operating handbook, logbook, precautionary markings, warranty data, engineering drawings and associated lists, specifications, standards process

sheets, manuals, technical reports, and catalog item identifications, and related information.

11. Incorrect Item - Codes W1 through W6

a. Unless the original requisition cited a Military Standard Requisitioning and Issue Procedures (MILSTRIP) advice code limiting the request to a specific item, a SDR should not be submitted when an activity receives an acceptable substitute.

b. Describe in detail the problem encountered with material received and provide as much documentation as possible so that the action activity can take corrective action, especially if it could be a system wide problem.

12. Other Discrepancies - Codes Z1 through Z4

a. Z1 requires an explanation statement in Block 12. "Remarks" of the SDR.

b. Z2 must be used in combination with any of the above discrepancy codes that occur repeatedly, including those that fall below the minimum dollar value threshold for reporting. Provide documented evidence of previous occurrences to the action activity.

06125 SUBSEQUENT ACTION

1. SDR Cancellation. If the submitter discovers that an outgoing SDR was invalid, a copy of the original SDR will be annotated with the word "CANCELED", clarifying data will be placed in the remarks block (block 12) with date and signature of the person submitting the canceled SDR and forwarded to the action activity.

2. SDR follow-ups. Activities preparing SDRs will monitor outstanding SDRs and submit follow-up SDRs if no response is received within the designated time period. Follow-up action will be taken by stamping a copy of the SDR with "FOLLOW-UP" (1st, 2nd, 3rd, etc., annotated) and resubmitting to the action activity. Submit the first follow-up 60 days after date of original SDR. Submit the second and subsequent follow-ups at 30 day intervals. If the SDR Point of Contact (POC) has changed at the time a follow-up is submitted, the new POC and telephone number will be annotated in block 12.

3. Request for Write-Off. If no reply has been received after six months from the submission date of the SDR to Navy activities (seven months from submission of SDR to non-Navy activities), or seven months from appearance of the SDR quantity on the overage MIT listing (whichever is later), the submitter is authorized to close the SDR and take appropriate action to clear inventory and financial records.

a. This does not apply to Contractor-submitted SDRs, which must be resolved via the appropriate PCO/ACO.

b. When appropriate, requests for write-off should be initiated in accordance with NAVCOMPT Manual sections 083405 or 085142-3.

4. Request for Reconsideration. When a reply to a SDR is considered unsatisfactory, the initiator should first contact the action activity for reconsideration. If the resolution is still unsatisfactory after contacting the action activity, the SDR initiator can submit the contested

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SDR to NAVSUP for arbitration.

5. Contested Reports

a. When a Navy reporting activity does not concur with a reply in response to an SDR reconsideration action, it will forward a copy of the report and all supporting correspondence/documents identifying the conflict or concern, to NAVSUP for review and final decision.

b. If the SDR involves another Service/Agency, NAVSUP will contact the appropriate Service/Agency focal point for resolution. The action focal point office will review all data relating to the problem and provide a response to the submitter with information to all concerned activities. Focal point decisions will be rendered within 45 days of receipt of the request and will be final.

6. Billing Adjustment Reply

a. A copy of the SDR reply where credit is either granted or denied should be forwarded to the local Financial Accounting Division for follow-up or closeout action.

b. When a reply to a SDR indicates that a billing adjustment will be processed and 60 days elapse without receipt of the adjustment, a financial follow-up should be processed as follows:

(1) Interfund bill. Process a Document Identifier FAE, request for billing adjustment/allowance in accordance with NAVCOMPT 086181. Document Identifier FAF, request for billing adjustment/allowance follow-up, is processed if no response is received to the FAE.

(2) Non-Interfund bill. Perform the necessary actions to obtain payment (e.g., sending a letter to the billing-agency requesting credit billing) in accordance with NAVCOMPT 086203.

06126 PERSISTENT NONRESPONDING ACTIVITY REPORT

1. Repeated non-responses to SDRs and follow-ups may indicate a problem with transmission of SDRs or receipt of responses. Submitters should contact the action activity to investigate and resolve the problem.

2. Service/Agency SDR focal points will provide assistance for both intra and interservice SDRs.

3. Cases of persistent nonresponse to SDRs by a specific activity should be reported to NAVSUP 4B1 by submitting a "Persistent Nonresponding Activity Report", NAVSUP 4440-101 and supporting documentation. This report is submitted when an activity requires NAVSUP assistance in obtaining SDR responses from a Navy, other service or agency activity that has consistently and intentionally failed to respond to initial and Follow-Up SDRs. NAVSUP will initiate action to resolve the continuous lack of response. Requests for follow-up assistance should not be forwarded to NAVSUP Headquarters for individual SDR nonresponse.

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PERSISTENT NONRESPONDING ACTIVITY REPORT

To: NAVSUP, Code 4B, 5450 Carlisle Pike, P.O. Box 2050 Mechanicsburg, PA 17055-0791

From:
 Submission Date:
 POC:
 DSN:
 E-mail:

NON-RESPONDING ACTIVITY:
 POC:
 DSN:
 E-mail:

This form will be submitted as needed to NAVSUP, Code 4B1, for a persistent non-responding activity. The submitting activity will include steps taken to contact the action activity to work out any problem that is delaying the process. Attach current copies of SDR follow-ups for SDRs 90 days and older.

SDRs	90-120 Days Old	121-150 Days Old	151-180 Days Old	181-240 Days Old	241-360 Days Old
Number Unresolved					
\$ Value Unresolved	\$	\$	\$	\$	\$
Number Awaiting Disposition of Material					
\$ Value Awaiting Disposition of Material	\$	\$	\$	\$	\$

Dollar Value: The dollar value of a SDR is found in Block 9C of the SDR Form SF 364. For discrepancies involving wrong material, the dollar value of the item requisitioned is used for the dollar value of the SDR. Round dollar value to nearest whole dollar.

Section III: INCOMING SDR GUIDANCE

06131 GENERAL

1. The action activity will initiate resolution of the SDR. Responsibility may be transferred or action coordinated with another organization in order to complete SDR processing. The action activity is any activity that is required to take action as a result of an SDR and may include FISCs, Defense Depots, other issuing activities, inventory control points /integrated material managers (ICP/IMM), contract administration offices, packaging control points, International Logistics Control Offices (ILCO), or shipping activities.

a. For shipments of Navy-owned material between Navy activities, the activity that shipped the material is the action activity.

b. For shipments direct from a commercial contractor, the Procuring Contract Office is responsible for researching and resolving the SDR.

c. For Defense Logistics Agency (DLA) owned material issued by a Defense Depot, the action activity is the issuing Defense Depot.

2. Action activities will give priority processing to SDRs submitted for:

a. Casualty Report (CASREP) requisitions.

b. Not Mission Capable Supply (NMCS) requisitions.

c. Partial Mission Capable Supply (PMCS) requisitions.

Naval messages are authorized for SDRs related to CASREP, NMCS, and PMCS requisitions. The message must follow the same numbered block format as the SF 364 form and include the same information as a hard copy SDR. The subject line of the message is "Priority Incoming SDR SF 364". Message SDRs may be transmitted via SALTS.

06132 ACTION ACTIVITY ACCOUNTABILITY

1. Action Activities responding to SDRs are responsible for:

a. Verification of action activity.

b. Control and retention of incoming SDRs.

c. Screening SDRs.

d. Performing investigative research.

e. Resolving SDRs.

f. Responding to submitters within the prescribed time frames.

g. Taking action to prevent recurrence

06133 CONTROL AND RETENTION OF INCOMING SDRS

1. SDR Control System.

a. All activities receiving SDRs will maintain a control system containing a record of all incoming SDRs, their status and their disposition. Records can be maintained either in an electronic or paper form.

b. The record will contain, at the minimum, the following data:

(1) SDR report number.

(2) SDR date.

(3) SDR submitter.

(4) Requisition and/or contract number.

(5) NSN - including cognizance symbol.

(6) Extended money value.

(7) Discrepancy cited.

(8) Action requested.

(9) Response date.

(10) Response (i.e., credit allowed/denied, SDR rejected, material to be returned, reshipment being provided, etc.).

(11) Follow-up date.

2. Incoming SDR Record Retention Requirements.

a. Retain SDRs pending further action (Open SDRs) in a suspense file until resolved and closed.

b. Closed SDR Files.

(1) Retain SDR closed case files two years from the date of SDR completion. (SA SDR retention requirements are cited in Part B, Security Assistance)

(2) Maintain separate SDR files for each fiscal year.

(3) Activities using the Automated SDR Program RRO1A may retain the SDR Purge Report (Program RR20P230) for Credit Authorized SDR Responses, in place of the closed SDR file, if the physical inventory manual review package contains a clear audit trail (i.e. identifying SDR information, SDR number, etc.).

3. Screening Incoming SDRs

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- a. Verify the SDR meets the submission time frame and dollar value criteria.
 - b. Ensure the SDR includes all the information necessary for processing.
 - c. Forward misdirected incoming SDRs to the appropriate action activity and notify the submitter of the forwarding action.
 - d. Action activities should consider overall customer service implications before automatically rejecting a SDR for noncompliance with time and dollar value submission thresholds. While these standards are established based on the economic costs of SDR processing and the ready availability of transaction records, there may be instances when it is appropriate to waive the thresholds and process the SDR.
4. Verification. Action activities will review all discrepancy reports received for applicability against materiel under their cognizance. If materiel cognizance is not applicable, forward the SDR to the appropriate action activity and notify the submitter.

06134 INVESTIGATIVE RESEARCH AND RESOLUTION

1. Quantity Discrepancies:

- a. Review shipping documentation. Determine if weight, cube, or number of pieces shipped support or deny the SDR.
- b. Review transaction ledger from BA date. Determine if any erroneous gains or losses were processed, potentially attributable to the discrepancy, that support the SDR.
- c. Conduct a Physical inventory. Determine if an out-of-balance condition exists in the warehouse to support the SDR.

2. Inventory Adjustments:

- a. SDRs often indicate out-of-balance records.
- b. Process inventory adjustments based upon an incoming SDR investigative research results.
- c. When the SDR involves return shipment of the material, a warehouse check is again required when the material is returned.
- d. Credit/debit adjustments must be coordinated with other necessary inventory adjustments.

3. Rejected or Information Only SDRs:

- a. Rejected or information only SDRs which cite quantity discrepancies (shortage, overage, wrong item, duplicate shipment, nonreceipt, etc.) will be followed by a special inventory when the extended dollar value of the SDR is \$500 or greater.
- b. For rejected or information only SDRs with an extended dollar value less than \$500, special inventories will be conducted as time and resources allow.

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4. Proof of Shipment (POS):

a. SDR resolution guidelines place significant emphasis on providing valid POS to customers.

b. UADPS-SP activities must ensure the POS, including valid traceable number, is posted to the Requisition Status File.

c. Non-mechanized activities must maintain a copy of the DD Form 1348-1, with shipment data annotated in a POS file.

5. Shelf Life

a. If the shelf life is extendible:

(1) Advise the customer to extend the shelf life and deny credit.

(2) Inspect material in stock to determine if the shelf life of the material in stock needs to be extended.

b. If the shelf life is non-extendible:

(1) Advise the customer to turn the material into DRMO or survey the material, as appropriate, and provide a signed copy of DD-1348-1 turn-in document or DD Form 200 survey document, back to the shipper.

(2) Inspect material in stock to determine if the shelf life of the material in stock has expired.

(3) Upon receipt of a signed copy of the turn-in/survey document:

a. Process a credit to the customer, followed by a condition code transfer.

b. Expend material from the record via survey using the customer's survey document as backup.

6. Report of Damaged Material

a. If circumstances indicate that the damage resulted from a transportation-type discrepancy, reject the SDR and advise the customer to submit a TDR, SF 361.

b. If circumstances indicate that the damage is not transportation related, the action activity will proceed as follows:

(1) Consumables.

(a) Advise customer to turn-in material to DRMO or survey material, as appropriate, and provide a signed copy of the turn-in/survey document back to the shipper.

(b) Upon receipt of a signed copy of the turn-in/survey document, process credit to the customer and expend material from the records via survey using the customer's disposition document as backup.

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(c) SA customers can not turn-in/survey the material. They must return the material before a credit can be processed.

(2) Repairables.

(a) Advise the customer to return the discrepant material. Advise the customer that the material must be received within 60 days CONUS/90 days OCONUS or the SDR will be closed without granting credit.

(b) Process a credit to the customer upon receipt of the material and place the material in stock. Process condition code transfer when taking the material up into stock.

(c) Place material in other than "A" condition stock location pending disposition instructions from the ICP.

7. Condition Code Other Than Indicated On Receipt Document

a. Advise the customer to return the wrong-condition material. Advise the customer that the material must be received within 60 days CONUS, 90 days OCONUS, or the SDR will be closed without granting credit.

b. Inspect the material remaining in stock to determine if the material in stock is marked with an incorrect condition code.

c. Process a credit to the customer upon receipt of material and place the material in other than "A" condition stock location. Process condition code transfer (i.e. from "A" condition to applicable condition) when taking the material up into stock.

8. Supply Documentation Missing/Illegible/Mutilated

a. The Stock Point will determine if it was responsible for the issue/shipment.

b. If the Stock Point shipped the material:

(1) Forward a copy of the shipping documentation to the customer along with the SDR reply.

(2) If the original DD Form 1348-1 is not available for copying, a dummy DD Form 1348-1 will be prepared and forwarded to the customer along with the SDR reply.

9. Misdirected Shipment

a. If the SDR submitter does not indicate that material has been re-shipped to the correct consignee, forward the correct address to the customer along with the SDR reply.

b. Research the name and address file to ensure that the file contains the correct address for the customer involved.

10. Overage/Duplicate Shipment

a. If the customer was billed and does not wish to retain material:

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(1) Advise customer to return the discrepant material. Advise the customer that material must be received within 60 days CONUS/90 days OCONUS or the SDR will be closed without granting credit.

(2) Process credit upon receipt of material and place material in stock.

b. If the customer was not billed for material and wishes to retain it:

(1) Advise the customer that a debit billing will be processed.

(2) A review of the transaction ledger will be conducted to determine if a prior loss was processed since the BA date that may be attributable to the overshipment.

(3) If a loss is found, the loss will be reversed in conjunction with the debit billing using the original document number with a suffix added.

(4) If a loss is not found on the transaction ledger, conduct an inventory to determine actual on-hand quantity. Process the debit billing using the original document number, with a suffix added, in conjunction with other necessary inventory adjustments.

c. If the customer was not billed for the material and does not wish to retain it:

(1) Advise the customer to return the discrepant material. Advise customer that the material must be received within 60 days CONUS/90 days OCONUS, or a billing will be processed. (Not applicable to SA).

(2) Review the transaction ledger to determine if a prior loss was processed since the BA date may be attributable to the overshipment.

(a) If a loss is not found in review of transaction history, conduct an inventory.

(b) At the completion of the inventory, process adjustments as necessary to bring records into balance.

(3) When material is received, appropriate inventory adjustments will be processed to add material back to the record, i.e., loss reversal, loss reversal plus gain, or gain.

(4) If the customer is to be billed due to non-return of material, necessary inventory adjustments will be processed in coordination with the billing, i.e., loss reversal, loss reversal plus gain, or gain.

11. Packaging Discrepancies

a. Upon receipt of a SDR citing packaging discrepancy, investigate the reported discrepancy and take action to prevent recurrence.

b. For shipments of ammunition, explosives or other hazardous material, automatically provide a report of corrective action.

Note: Failure to properly mark hazardous material could result in violation of Department of Transportation regulations and subsequent legal action against the responsible activity.

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c. Furnish a statement of corrective action taken to prevent recurrence of error when requested by the SDR originator or upon request of the Packaging Discrepancy Control Point.

d. Do not delay reports of corrective action pending final determination of the reimbursement by the contracting officer.

e. If the cost to correct packaging discrepancy is less than \$100, notify customer that no reimbursement will be forthcoming.

f. If cost of corrective action is \$100 or more and investigation has revealed that the shipper was at fault, notify customer that reimbursement will be forthcoming.

12. Product Quality Deficiency

a. Only SA customers may use the SDR for Product Quality Deficiencies. Navy activities will submit a QDR, SF 368.

b. The ICP or IM will investigate reported SA product quality deficiency reports, interfacing with the contractor, the hardware system command, etc., to determine if the complaint is valid.

c. If the complaint is valid, the customer will be provided a billing adjustment and disposition instructions for material via the cognizant ILCO.

d. If the complaint is not valid, provide the customer details of the investigation that led to this determination in the SDR reply via the cognizant ILCO.

13. Total Nonreceipt of Shipment

a. Traceable Shipment

(1) Provide shipping data:

(a) Mode of shipment

(b) Quantity shipped

(c) Weight, cube and number of shipping units

(d) Government Bill of Lading (GBL) number

(e) Commercial Bill of Lading (CBL) number

(f) Transportation Control Number (TCN)

(g) Signature Receipt constituting traceable shipment for local delivery shipments. Required for DLR shipments.

(2) Advise the customer that transportation discrepancies are reportable on a Transportation Discrepancy Report (TDR), SF 361, in accordance with DOD 4500.9-R, Part II.

(3) If traceable shipment is required (i.e. DLR shipments), but traceable POS can't be

produced/verified, credit is automatic.

(4) Minimum POS required for traceable shipment is:

- (a) Mode of shipment.
- (b) Transportation Control Number (TCN).
- (c) Date the shipment was released.
- (d) Signature for local delivery shipments.

b. Nontraceable shipments (parcel post and local delivery), Discrepancy Code S3.

(1) Conduct a review of the transaction ledger to determine if a prior gain was processed since the BA date may be attributable to the shortage.

(2) If a gain is found, reverse the gain in conjunction with processing the credit.

(3) If a gain is not found on the transaction ledger, conduct an inventory to determine actual on-hand quantity.

(4) If an overage is found during the inventory sufficient to cover the SDR quantity, process a credit in conjunction with other necessary adjustments.

(5) If no overage is found during the inventory sufficient to cover the SDR quantity, deny credit and process adjustment as necessary.

(6) POS for non-traceable shipments is:

- (a) Mode of shipment.
- (b) Date the shipment was released.

(7) If no POS is posted, credit is automatically granted.

(a) Review the transaction ledger to determine if a prior gain was processed since the BA date may be attributable to the shortage.

(b) If a gain is found, reverse the gain in conjunction with processing the credit.

(c) If a gain is not found on the transaction ledger, conduct an inventory to determine actual on-hand quantity.

(d) Process a credit in conjunction with any other needed inventory adjustments.

14. Shortage in Shipment

a. When the customer cites concealed shortage or partial shortage, the absence of POS is not a factor in the credit decision.

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b. If the material was shipped by non-traceable means, conduct a physical inventory and review transaction ledger as described in subparagraph 06134.13b above.

c. If the material was shipped by traceable means and:

(1) If the SDR does not cite concealed shortage, or if the SDR states that the shortage is transportation related, then advise the customer to submit SF 361, TDR, and provide shipping data as described in subparagraph 06134.13a above.

(2) If the SDR cites concealed shortage, or the SDR states that the shortage is not transportation related then:

(a) Review the transaction ledger to determine if a prior gain was processed since the BA date may be attributable to the shortage.

(b) If a gain is found, reverse the gain in conjunction with processing the credit.

(c) If a gain is not found on the transaction ledger, conduct an inventory to determine actual on-hand quantity.

(d) If an overage is found during the inventory sufficient to cover the SDR quantity, process a credit in conjunction with other necessary adjustments.

(e) Review shipping documentation for comparison of total weight and cube shipped with weight and cube of the item.

(f) If review of the shipping documentation supports the SDR and no overage is found during the inventory sufficient to cover the SDR quantity, authorize credit and process adjustments as necessary.

(g) If no conclusions can be drawn from this comparison, or if shipping documentation is not available, and if no overage is found during the inventory sufficient to cover the SDR quantity, deny credit and process adjustments as necessary.

15. Item Technical Data/Markings Missing/ Incomplete

a. Contact responsible contractor or organizational element for corrective action.

b. If the material is system stock, notify responsible ICP, service or hardware systems command of discrepancy and request corrective action be taken on remaining stocks.

16. Incorrect Material Received

a. Review the transaction ledger of both stock numbers to determine if a prior gain/loss was processed since the BA date may be attributable to the discrepancy reported.

b. Put both NSNs under inventory and check for shortages/overages, mixed stock or misidentified material.

c. Make appropriate inventory adjustments.

- d. When the customer requests credit for item requisitioned:
 - (1) Advise the customer that credit will be granted for the item ordered.
 - (2) If the transaction history shows an erroneous gain:
 - (a) Process a gain reversal.
 - (b) Process a customer cancellation.
 - (3) If the transaction history does not show a gain:
 - (a) Process a customer cancellation.
 - (b) Process an inventory loss.
 - (c) Place the item under inventory.
- e. When the customer requests replacement shipment:
 - (1) Advise the customer that replacement shipment will be made for the item originally ordered.
 - (2) If the transaction history shows an erroneous gain:
 - (a) Process a gain reversal.
 - (b) Process a customer cancellation.
 - (c) Reprocess the issue under the same document number plus a suffix.
 - (3) If the transaction history does not show an gain:
 - (a) Process a customer cancellation.
 - (b) Process an inventory loss.
 - (c) Reprocess the issue under the same document number plus a suffix.
 - (d) Place the item under inventory.
- f. When the customer requests disposition of the erroneous material received:
 - (1) Advise the customer to return the erroneous material within 60 days CONUS/90 days OCONUS, or billing for the erroneous material will be processed.
 - (2) When the erroneous material is received:
 - (a) Notify the centralized SDR processing area.
 - (b) If the transaction ledger shows a previous loss since the BA date:

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1. Place the material into stock.
 2. Process a loss reversal.
 - (c) If there was no previous loss:
 1. Place the material into stock.
 2. Initiate an inventory.
 - (d) If the customer does not return the material:
 1. Bill the customer by processing an issue under the same document number plus a suffix.
 2. Process required inventory adjustments.
 - g. When the customer requests billing for the erroneous material:
 - (1) Advise the customer that a billing will be processed.
 - (2) Bill the customer by processing an issue under the same document number plus a suffix.
 - (3) Process required inventory adjustments.
 - h. Unacceptable Substitute
 - (1) If the customer complaint is justified (i.e., customer provides specific technical justification as to why item is not interchangeable), authorize return of material.
 - (2) Process credit upon receipt of material.
 - (3) Forward the SDR package to the ICP/IM.
 - (4) The ICP/IM will investigate the reported complaint, interfacing with the contractor, hardware system command, etc., and take appropriate action on the material remaining in stock.
17. Material Shipped When Confirmed Cancellation Was Processed
 - a. Review the transaction ledger to determine if the transactions support the reported discrepancy.
 - b. Determine if the customer was billed for the material.
 - (1) If billing was processed:
 - (a) Advise customer to return material within 60 days CONUS/90 days OCONUS or the SDR will be closed with no further action.

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(b) When the material is received:

1. Notify the centralized SDR processing area.
2. Process credit.

(2) If the customer was not billed:

(a) Advise customer to return material within 60 days OCONUS/90 day OCONUS or billing will be processed.

(b) When the material is received:

1. Notify the centralized SDR processing area.
2. Process inventory adjustments as necessary to add material back to the record.

(c) If the material is not returned and billing is necessary:

1. Process billing.
2. Make necessary inventory adjustments.

Note: These general processing guidelines apply to particular types of discrepancy reports. In some instances, SA (FMS and Grant Aid) SDR procedures differ from those for non-FMS SDR (Refer to the SA SDR section).

06135 RESPONSE PROCESSING

1. All SDR responses to submitters will be accomplished by completing the reverse side of the SF 364. Responses should be accomplished within the prescribed time frames.

2. Problematical response to a SDR.

a. In cases where unusual or special circumstances exist or where research may not result in a conclusive answer or the customers complaint may seem questionable, etc., judgment calls are necessary and should be based on sound reasoning with command concurrence.

b. Disputes between activities should be worked out between activity management - going up the chain of command if necessary.

3. Adjustments may be processed without prior inventory if:

a. The dollar value of the adjustment is less than \$500.

b. Or, a review of the transaction ledger shows that a gain or a loss was processed since the BA date that is attributable to the discrepancy reported.

4. The action activity will conduct special inventories in all instances after an adjustment is processed which will affect the inventory record.

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5. When disposition instructions are required, the instructions should be specific.
 - a. The action activity shall establish a suspense file in the Receiving Division for due-in SDR returns.
 - b. It is imperative that control of incoming SDR material, and coordination between receiving and the SDR unit, be established.
 - c. In many instances, processing of inventory and/or financial adjustments are dependent upon verification that material has been received.
 - d. When the discrepant material is valued at less than \$500, the action activity may direct the receiver to retain at no charge or dispose of material in accordance with local directives (i.e. MTIS program, turn the material in to the nearest stock point, etc.).
6. Uneconomical Discrepant Material Returns.
 - a. In some instances the receiver may consider it uneconomical to return the discrepant material to the issuing stock point.
 - b. The receiver may request authorization to turn the material in to the nearest stock point.
 - c. The Action Activity will consider the request, and if agreeable, will coordinate with the proposed turn-in site to ensure credit processing to the customer account.
 - d. The SDR reply will normally contain the directions for the material turn-in and points of contact at all sites involved.
 - e. This action will be an exception to normal procedures and must be agreed to by all parties concerned.
7. Credit Denied Responses.
 - a. When research results do not support the SDR and the action activity denies liability, the response to the customer will cite research performed and the results of research.
 - b. The action activity will ensure that replies are complete, consistent and understandable.
 - c. The customer should have a clear understanding of what the final decision was; how and why it was reached.
8. Billing Adjustments.
 - a. In accordance with NAVCOMPT Manual, Volume 8, adjustment to customer's billing will be processed without regard to dollar value for all validated discrepancy reports. When an action activity accepts a SDR meeting submission criteria and authorizes credit for the discrepancy, a credit can be granted regardless of dollar value.
 - b. Centralized Accounting and Billing (CAB) activities will process necessary customer billing adjustments via Transaction Item Reports (TIRs).

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- c. Non-CAB activities will make local inventory/financial adjustments.

06136 PREVENTIVE ACTION

1. Activities should use SDR data to identify problem areas that warrant further investigation; determine the cause(s) and solution(s); and implement action to reduce discrepancies.

06137 DISPOSITION OF DISCREPENT MATERIAL

1. The Action Activity will determine disposition of discrepant material and provide disposition instructions in the SDR response.

- a. When return of discrepant material is required, the disposition instructions will normally direct the receiver to return material to the issuing activity. If the receiver anticipates that this action will be unfeasible/uneconomical, the original SDR should contain a request for an alternate destination, normally the closest stock point. If approved, the Action Activity will coordinate the turn-in actions with the alternate site to ensure credit processing to the customer account and provide the appropriate shipping instructions in the SDR response.

- b. The Action Activity will direct the receiver to use the same document number under which the material was originally shipped where possible.

- c. The Action Activity may direct the receiver to return an exhibit of the discrepant material. The activity requesting the return will pay for exhibit shipping costs by providing a DD Form 1348-1A with transportation accounting information for material to be returned.

- d. A copy of the SDR and DD Form 1348-1A should be included with the returned material and annotated "SDR RETURN".

Section IV: STANDARD FORM (SF) 364

06141 GENERAL

1. The SDR, Standard Form (SF) 364, or its equivalent electronic/automated mode, is the means by which activities report shipping (item) and packaging discrepancies that are attributable to shipper (issuer) error. The SDR form is an official document used to support adjustments of inventory and financial records for the consignee and shipper. Policy and procedures with regard to billing, accounting, and financial adjustments for shipping-type discrepancies are contained in DOD 4000.25-7-M, (Military Standard Billing System) and NAVCOMPT Manual, Volume 8.

2. The Standard Form SF-364 with the "Report of Discrepancy" title will continue to be used until revised or replaced. Correction of the form name is not required. The additional or expanded discrepancy, action, and disposition/reply codes included in this publication are not preprinted on the SF-364. To avoid confusion, users should include the short form description of any non-preprinted codes in Block 12 of the SF-364.

3. Standard Form 364 can be obtained through Navy supply channels in accordance with NAVSUP P-2002D, Navy Stock List of Publications and Forms (www.nll.navy.mil/nll.cfm) under SF 364-5C, S/N 0102-LF-203-6450 and SF 364-1C (Back), S/N 0102-LF-203-6410 and from GSA under National Stock Number 7540-00-159-4442.

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06142 PREPARATION OF SF 364

ORIGINAL REPORT

Indicate whether Shipping (Issuing) Discrepancy or Packaging Discrepancy or both by placing an "X" in appropriate box(s) at top of form. Mailing envelopes will be conspicuously marked "SF 364."

Block 1 Date of Preparation. Use month, day and four-digit year format.

Block 2 Report Number. SDR report number consists of the submitting activity's UIC, followed by the last two digits of the calendar year, followed by a four-digit serial number (e.g., the first SDR written by FISC Norfolk in calendar year 1999 would have a report number of N00189-99-0001).

Security Assistance - report number consists of one alpha character to identify the initiating office in-country, four numeric characters for the purchaser country serial number, 2 alpha characters for the country code and three to six alpha characters for the master and line item case designator, i.e., A0010-JA-KBD/001. For any unnumbered SDRs received from FMS customers, the ILCO will assign number X9000 to X9999 and so advise the FMS purchaser on the receipted copy. Suffix Code "R" added to the report number indicates the purchaser has asked for reconsideration of the report disposition. Suffix Code "C" added to the report number indicates the purchaser has contested the U.S. Government's decision on a request for reconsideration

Block 3 To. In-the-clear Name, Address, ZIP Code and DOD Activity Address Code (DODAAC) and/or Routing Identifier Code (RIC) (if assigned), and attention symbol/code of action activity. The action activity is based on the origin of the shipment (reference SDR

Distribution). If forwarding to an ICP, the RIC of the ICP is located in positions 67-69 of the DD 1348-1A. If forwarding to a Defense Distribution Depot, the RIC of the shipping depot is located in DD 1348-1A positions 4-6. When both shipping and packaging discrepancies are reported for the same item, enter "see Block15" and enter addresses/codes of both activities in Block 15.

For Security Assistance discrepancy reports, use the appropriate service ILCO address.

Block 4 From. DODAAC and/or RIC (if assigned), name, address and ZIP code of the reporting activity or Security Assistance customer (consignee).

Block 5a Shipper's Name. Enter name, DODAAC and/or RIC (for DOD activities) or Commercial and Government Entity (CAGE) Code (if available for commercial contractor facilities) and address of shipper (consignor) when different from Block 3 and address of shipper (consignor) when different from Block 3. If applicable, the RIC of the shipping depot is located in positions 4-6 of the DD 1348-1A. In most instances, Block 3 and Block 5a would be the same activity. In some cases, however, this would vary. In case of direct shipments from contractors, Block 3 contains the name and address of the activity administering the contract while Block 5a contains the name of the shipper (contractor).

Block 5b Number and Date of Invoice. Enter number and date of vendor's invoice or shipper's bill number. Attach copy of invoice to SF 364. (Not applicable to packaging discrepancies.)

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Block 6 Transportation Document. Enter the type of transportation document, Government Bill of Lading, Commercial Bill of Lading, manifest, waybill, insured/certified U.S. Postal Service or transportation control and movement document and the identifying number assigned to such document. This is a mandatory entry when the shipment received was made via traceable means, e.g., GBL, CBL.. For U.S. SDRs (only), for discrepancies involving shortages, include the following statement in Block 12 "Shortage has been verified as not being transportation related."

Block 7a Shipper's Number. Enter shipment number (when more than one shipment is made under a contract or requisition) and contract/contract line item number/document number (e.g., contract, purchase order).

For Security Assistance, also include the shipment date to distinguish multiple shipments from a contractor source.

Block 7b Office Administering Contract. Name, address and ZIP code of the Contract Administration Office (CAO) which directed/arranged shipment.

Block 8 Requisitioner's Number. Enter the requisitioning activity's number, e.g., requisition, purchase request, and suffix code (or shipment date), if applicable. Entry of the applicable requisition document number is mandatory in all instances, even though a contract/purchase order is involved. Only one document number will be included on each SF 364. For U.S. SDRs only, when the original requisition number cannot be identified for discrepancies in sealer vendor packs, the reporting activity must include a constructed document number. When using a constructed document number in an SDR, include the fund code and bill-to/credit-to DODAAC, if different from that in the document number in Block 13.

Block 9a NSN/Part Number and Nomenclature. If item received is different from item shown on shipping documents, or different from item ordered, show each item on a separate line. For serial numbered principal items, sets, kits and outfits, list the item individual serial number first, followed by the discrepancies applicable to the serial number. (Note: For sets, kits and outfits showing an assembly order number, the assembly order number should also be listed.)

Block 9b Unit of Issue. Enter unit of issue as billed or indicated on shipping document for each item listed in Item 9a. (Not applicable to packaging discrepancies.)

Block 9c Quantity Shipped/Billed. Enter quantity of item shipped or billed,. When code C1 is applicable, enter the quantity and the supply condition code (in accordance with reference (a) or DLMS, Vol. 2, Ch 14) of the item shipped, e.g., 980A as shown on the shipping document.

Block 9d Quantity Received. Enter quantity actually received.

Block 10a Discrepant Quantity. Enter the discrepant quantity. If code C1 is applicable, enter the quantity and the supply condition code of the item received. If total quantity received is classified under more than one condition code, enter separately each partial quantity so classified, followed by the applicable condition code , i.e. 960A, 20F.

Block 10b Discrepancy Unit Price. Enter the unit price as billed or shown on shipping document or the unit price shown on the ML-N if no billing or shipping price is available.

Block 10c Discrepancy Total Cost. For shipping-type discrepancies, enter the total value of

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material (10a x 10b). For U.S. SDR packaging deficiencies, enter total cost for corrective packaging of all discrepant items. For SDRs reporting both a packaging and a shipping discrepancy on the same item, enter on separate lines both the total value of the material and the total cost for corrective packaging.

Block 10d Discrepancy Code. Nature of the discrepancy using the listed discrepancy codes found in paragraph 06145. If a condition exists that is not listed, use Code Z1 and describe the discrepancy in Block 12, Remarks. When discrepancy code Q1, Product Quality Deficiency (Security Assistance only), or C2, Expired Shelf Life, is applicable, enter the following information in Block 12:

1. Manufacturer's name and CAGE Code (if available).
2. Contract/purchase order number if not shown in Block 7a.
3. Date manufactured, date cured, date assembled, date packed (apply one as appropriate), and expiration date for Type I (nonextendible) shelf-life items and inspection or test date for Type II (extendible) shelf-life items. Include the date overhauled/rebuilt if pertinent.
4. Lot/batch number.
5. Location of material.
6. Name, address and telephone number of contact.
7. Nature of complaint, stating in detail why material is unsatisfactory. When quality deficiencies (Security Assistance only) are reported, remarks should include explicit description of unsatisfactory condition to include test or inspection criteria used to determine item serviceability.

Block 11 Action Code. Enter requested action/action taken by SDR initiator from listed action codes in paragraph 06146. If action is other than covered by listed action codes, use Code 1Z and explain action requested in Block 12. Action codes 1D or 1F will not be used on SDRs prepared to cover DOD Working Capital Fund (formerly DBOF) funded shipments and shipments from GSA.; material still required will be rerequisitioned. Exception Note: For U.S. customers only, where DLA is the ICP/IMM, replacement shipments may be requested by the customer. Action code 1E applies only to local purchase items.

Block 12 Remarks.

General Conditions. Use for any supplemental information when the combination of discrepancy codes and action codes needs clarification; when discrepancies need explanation; and when a breakdown of cost to report, in terms of labor man-hours and materials, is required. Specific data such as appearance, lot/batch number, manufacture/packaging date, inspector number and inspection date, probable cause of improper packaging, and suggested corrective action should be entered here. Provide photos where it would assist in determining the cause/validity of the discrepancy/deficiency.

Packaging discrepancies Noted at Defense Distribution Depots. To ensure proper billing, indicate if the material is a major item, i.e., ships, aircraft, missiles, ammunition, vehicles, etc., or secondary item, i.e., any item that supports a major item such as reparable,

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consumables, assemblies, etc. Annotate projected or actual costs for labor and repackaging materials. If actual, indicate the date corrective action was completed.

Information Contact. Include name and communication numbers, e.g., DSN and commercial telephone numbers, facsimile number, and E-mail address of the person to be contacted for additional information if different from that entered in Block 14A.

Discrepancies in sealed vendor packs. Enter, if available, the contract number and lot number from the item package and the words "SDR is submitted late due to concealed discrepancy found upon opening sealed vendor pack. At the time of receipt, the shipping document matched the container markings. The container shows no signs of tampering/damage" or cite the appropriate discrepancy code.

Special Conditions. For shortages or nonreceipt of GSA items shipped via U.S. Postal Service, cite whether all packages shown as shipped in item 5 of the GSA or DD form 1348-1A were received. For medical material requiring refrigeration or frozen storage, cite the information requested on the special instruction sheet that is included with shipments of such material. For classified material, cite whether indications of container tampering were or were not evident; indicate whether a security deviation inquiry may be necessary at the origin.

For Security Assistance SDRs. Cite the specific violation of specification, regulation, packaging instruction or contract.

Block 13 Funding and Accounting Data. (Not applicable to Security Assistance SDRs)

For packaging discrepancies, the accounting/appropriation fund cite may be entered in the block by the SDR initiator if reimbursement funds/credits are expected for costs incurred to correct reported deficiencies. Use only when a billing document such as the SF 1080, Voucher for Transfer Between Appropriations and/or Funds, will not be prepared.

For shipping discrepancies, use to identify the original requisition fund code to be credited when this information is not otherwise available to the action office. When using a constructed document number, use to identify the fund code and bill-to/credit-to DODAAC, if different from that in the document number in block 8.

Block 14a Typed or Printed Name, Title and Phone Number of Preparing Official. Self-explanatory. Include both full commercial, DSN and facsimile communication numbers and E-mail address, if available.

Block 14b Signature. Self-explanatory.

Block 15 Distribution Addressees for Copies. Enter other addressees to receive a copy of the SDR. Not applicable to Security Assistance SDRs.

SDR REPLY

Action activities will use the reverse side of the SF 364 to reply to the customer as follows:

Block 16 From. Name, DODAAC and/or RIC (if assigned) and address of the activity preparing the reply.

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Block 17 Distribution Addressees for Copies. Enter addressees (including DODAAC and/or RIC (if assigned) receiving copies of the reply in addition to addressees listed in Block 18. Not applicable to Security Assistance SDRs.

Block 18 To. Enter address, including DODAAC and/or RIC (if assigned), of the activity indicated in Block 4 of the SDR. For Security Assistance, use the address for the appropriate ILCO.

Block 19 Advise customer of action taken by placing an X in appropriate box(es). Do not check box 19f.(2) for U.S. SDRs; the cited regulations apply only to Security Assistance shipments. Also, see instructions for Block 23.

Block 20 Enter disposition instructions by placing an X in appropriate box(es). Also, see instructions for Block 23.

Block 21 Enter an X to indicate to the reporting activity that a new requisition is required if the material is still needed. Also, see instructions for Block 23.

Block 22 Enter an X to indicate a replacement shipment will be made and the approximate shipment date. Also, see instructions for Block 23.

Block 23 Remarks.

General Conditions. Enter any clarification or information necessary for a complete reply. Enter corrective action taken to preclude future packaging discrepancies and/or record the appropriate SDR disposition/status code listed in paragraph 06147. This code and applicable narrative may be used rather than marking equivalent boxes for Blocks 19, 20, and 21. If additional explanation is necessary, attach to SDR on plain bond paper.

Packaging discrepancies Noted at Defense Distribution Depots. The ICP will annotate the SDR to indicate that DD repackaging is approved or not approved. If the ICP authorizes corrective action, the SDR will also reflect the appropriate funding/authorization Document, e.g., job order number, Military Interdepartmental Purchase Request (MIPR) number, or SF 1080, Voucher for Transfer Between Appropriations and/or Funds, to which the DD may charge the corrective action costs. After completing corrective action, the DD will annotate the actual cost of the work performed, note the date completed, and forward a copy to the ICP for closeout.

Block 24a Typed or Printed Name and Phone Number of Preparing Official. Name of individual authorized to provide an SDR response. Include both DSN and full commercial telephone numbers.

Block 24b Signature. Self-explanatory.

Block 24c Date. Month, day and four-digit year.

SDR FOLLOW-UPS, CORRECTIONS, AND CANCELLATIONS

1. At the top of the original report, annotate the appropriate word ("Follow-up", "Correction", or "Cancellation") and the date the follow-up, correction, or cancellation is prepared. Forward the revised document to the same distribution addresses as the original report.

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2. Where there is any change to the point of contact information provided in Block 14a of the original SF 364, enter the new point of contact name and telephone number(s).
3. For corrected or canceled SDRs, the initiator will provide clarifying data in the "Remarks" block. Include the signature, date, DSN number, full commercial telephone number, and E-mail address, if available, for the person preparing the revised report.

06143 CONSTRUCTED DOCUMENT NUMBER

1. When the original requisition number cannot be determined for reporting incorrect item and shipment quantity discrepancies discovered upon opening a sealed vendor pack, a pseudo-requisition number can be created by a U.S. Government SDR initiator (i.e., not applicable to Security Assistance purchasers). The 14-position constructed document number will contain the reporting activity's Department of Defense Activity Address Code (DODAAC) as the first 6 positions, followed by the current date, and a serial number beginning with U as the last 4 positions. When using a constructed document number in a SDR, include fund code and credit-to/bill-to DODAAC, if different from the document number DODAAC. It is essential that the original contract number be reflected on the SDR to expedite ICP/IMM/depot research.

06144 CARE OF SUPPLIES IN STORAGE (COSIS)

1. The SDR is used to support the DOD Care of Supplies in Storage (COSIS) Program within the DOD Stock Readiness Program. Annotate the SDR to differentiate major item discrepancies from secondary item discrepancies and provide breakouts of repackaging costs to clearly show both labor and materials costs.

06145 SHIPPING AND PACKAGING DISCREPANCY CODES

CONDITION OF MATERIAL

- C1 In a condition other than shown on supply document or on the supporting inspection/test certificate.
- C2 Expired shelf life.
- C3 Damaged U.S. Postal Service shipment. (Security Assistance customers are authorized to use this code for all types of damaged shipments.)
- C4 Material received stripped of parts or components (cannibalized). Applicable to material returns or repairs only.
- C5 Incomplete item received. Do not use for incomplete sets/kits/outfits. (See S9.)

SUPPLY DOCUMENTATION

- D1 Supply documentation not received with material.
- D2 Supply documentation illegible or mutilated.
- D3 Supply documentation incomplete, improper, or without authority. (Only when receipt cannot be properly processed.)

BILLING/FINANCIAL DISCREPANCIES (SECURITY ASSISTANCE ONLY)

- B1 Requisitioned material received. No record of billing.
- B2 Duplicate billing.
- B3 Wrong amount billed.

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F1 Financial discrepancy involving Security Assistance surcharge.

LUMBER

- L1 Moisture exceeds allowable percentage.
- L2 Not treated in accordance with specification.
- L3 Product off grade.
- L4 Improper size.
- L5 Improper tally.
- L6 Improper or no grademark on product.
- L7 Rotten product.
- L8 Splits, excessive wane, scant, or not end trimmed (one or all).

MISDIRECTED

M1 Material improperly addressed and shipped to wrong activity.

OVERAGE, DUPLICATE, OR RECEIPT OF CANCELED MATERIAL

- O1 Quantity received is more than quantity shown on the supply document.
- O2 Quantity received is more than quantity requested plus variance, if applicable (other than unit of issue or unit of pack).
- O3 Quantity duplicates shipment.
- O4 Material received after cancellation.
- O5 Concealed overage discovered in a sealed shipping container.
- O6 Overage due to unit of issue/unit of pack incompatibility (Use only when requisition specified no unit of issue/unit of pack variance).

PACKAGING DISCREPANCY

- P1 Improper preservation.
 - P101 Cleaning inadequate, incorrect, or omitted.
 - P102 Preservative inadequate, incorrect, or omitted.
 - P103 Barrier material inadequate, incorrect, or omitted.
 - P104 Unit pack cushioning inadequate, incorrect, or omitted.
 - P105 Unit container inadequate, incorrect, omitted or oversized.
 - P106 Desiccant incorrect, improperly located, or omitted.
 - P107 Tape/closure of unit container incorrect or inadequate.
 - P108 Hazardous materials not removed as required.
 - P109 Improper preservation of hazardous materials.
 - P110 Level of protection excessive or inadequate.
 - P111 Minimum protection not applied (material returns).
 - P112 Non-conformance to specified requirements for preservation (explanation required).
 - P113 Electrostatic/electromagnetic device preservation inadequate or omitted.
 - P114 Concealed preservation defect found in storage (retail only).
- P2 Improper packing.
 - P201 Container inadequate, incorrect, or oversized.
 - P202 Intermediate container inadequate, incorrect, oversized, or omitted.

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- P203 Exterior container inadequate, incorrect, oversized, or omitted.
- P204 Blocking and bracing inadequate, incorrect, or omitted.
- P205 Cushioning inadequate, incorrect, or omitted.
- P206 Level of protection excessive or inadequate.
- P207 Container deteriorated.
- P208 Skids incorrect or omitted.
- P209 Improper packing of hazardous materials.
- P210 Non-conformance to specified requirements for packing (explanation required).
- P211 Improper foam-in-place.
- P212 Reusable container not used or improperly prepared.
- P213 Closure incorrect or inadequate.
- P214 Concealed packing defect found in storage (retail only).

P3 Improper markings.

- P301 Identification markings omitted, incomplete, incorrectly located, or not legible.
- P302 Improper marking of hazardous materials.
- P303 Labels omitted or improperly affixed.
- P304 Contract data omitted, incomplete, incorrectly located, or not legible.
- P305 Precautionary or handling markings omitted, incomplete, or not legible.
- P306 Shelf-life markings omitted, incorrect, or not legible.
- P307 Bar code markings omitted, or not legible.
- P308 Incorrect lot number.
- P309 Set or assembly markings omitted.
- P310 Address incorrect or not legible.
- P311 Non-conformance to specified requirements for marking (explanation required).
- P312 Electrostatic/electromagnetic device markings inadequate or omitted.
- P313 Packing list omitted or incorrectly located.

P4 Improper unitization (includes palletization and containerization).

- P401 Cargo not unitized.
- P402 Shrink/stretch wrap inadequate or omitted.
- P403 Strapping inadequate or omitted.
- P404 Multiple consignees in single consignee consolidation container.
- P405 Protective covering/wrapping inadequate, improper, or omitted.
- P406 Contents of multipack container inadequately packaged, stuffed or missing unit packs.

PRODUCT QUALITY (ITEM) DEFICIENCY (**SECURITY ASSISTANCE ONLY**)

- Q1 Product quality deficiency.
- Q2 Quality deficiency, contractual noncompliance.
- Q3 Design deficiency, item requires change in design.
- Q4 Contracting deficiency, specification and/or technical data deficient.
- Q7 Safety hazard.
- Q8 Latent defect.

SHORTAGE OR NONRECEIPT

- S1 Quantity received less than quantity indicated on supply documentation.

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- S2 Quantity received is less than quantity requested minus variance, if applicable (other than unit of issue or unit of pack).
- S3 Total nonreceipt of U.S. Postal Service shipment.
- S4 Total nonreceipt, not transportation related. (U.S. only)
- S5 Total nonreceipt (Security Assistance only).
- S6 Shortage due to unit of issue/unit of pack incompatibility. (Use only when requisition specified no unit of issue/unit of pack variance.)
- S7 Shortage or nonreceipt of an item in a multipack or sealed shipping container.
- S8 Concealed shortage discovered upon opening a sealed vendor's pack. (Not applicable to Security Assistance.)
- S9 Incomplete sets/kits/outfits. Do not use to report cannibalization of SSRI, COEI, or BII. (See C4.)

TECHNICAL DATA MARKINGS (NAME PLATES, LOG BOOKS, OPERATING HANDBOOKS, SPECIAL INSTRUCTIONS)

- T1 Technical data markings missing.
- T2 Technical data markings illegible or mutilated.
- T3 Precautionary operational markings missing.
- T4 Inspection data missing or incomplete.
- T5 Serviceability operating data missing or incomplete.
- T6 Warranty data missing.
- T7 Missing part number on bare item.
- T8 Incorrect part number.
- T9 Operating handbooks, log books, and/or special instructions missing.

INCORRECT ITEM

- W1 Incorrect item received.
- W2 Unacceptable substitute received.
- W3 Incorrect item received, but not identifiable to an NSN or part number.
- W4 Misidentified item received.
- W5 Mixed stock received.
- W6 Incorrect item discovered upon opening a sealed vendor's pack. (Not applicable to Security Assistance.)

OTHER DISCREPANCIES

- Z1 Other discrepancy - see remarks.
- Z2 Repetitive discrepancy. (Must use in combination with other codes or describe in remarks. Not applicable to Security Assistance.)
- Z3 Receipt not due-in (distribution depot only for unauthorized returns).
- Z4 No record exists for document number cited on supply document. (Not used by distribution depot/not applicable to Security Assistance.)

06146 ACTION CODES

1. The following codes are used to provide a description of the action requested by the initiator of the SDR. Multiple codes may be used on a single report. Preprinted codes on the face of the SF 364 may be supplemented from this list of codes. These codes are authorized for use in all reporting formats.

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- 1A Disposition instructions requested
- 2A Disposition of material and financial adjustment (credit) requested
- 1B Material being retained
- 2B Material being retained. Financial adjustment (debit) requested
- 1C Supporting supply documentation requested
- 2C Technical documentation/data requested
- 1D Material still required; expedite shipment. (Not applicable to Security Assistance)
- 1E Local purchase material to be returned at supplier's expense unless disposition instructions to the contrary are received within 15 days. (Not applicable to Security Assistance or DLA)
- 1F Replacement shipment requested. (Not applicable to Security Assistance)
- 2F Material being held for disposition instructions, request funds citation. (Not applicable to Security Assistance)
- 1G Reshipment not required. Item to be re-requisitioned
- 1H No action required. Information only
- 2J Financial adjustment requested
- 2K Evidence of shipment requested (Security Assistance only)
- 2L Request billing status (Security Assistance only)
- 1Z Other action requested (see remarks)
- 2Z Additional information is being submitted off-line. (Applicable for use with electronic SDR submission only.)

06147 DISPOSITION/STATUS CODES

1. Action activities use the following list of codes to provide a response to an SDR initiator. Multiple codes are used on a single report to provide complete financial and material disposition instructions and provide additional information as needed. Codes may be used to replace or supplement preprinted information on the reverse side of the SF 364. These codes are authorized for use in all reporting formats. The action activity may cite the appropriate disposition/status code or annotate the SF 364 using the appropriate blocks.

The 100-series codes provide status of financial resolution, material disposition instructions, or other appropriate information.

- 101 Credit authorized.
- 102 Credit not authorized.
- 103 Discrepancy report receipt acknowledgment.
- 104 Additional clarification required from customer. See remarks.
- 105 Forward material received to address shown. Must use traceable and most economical means available.
- 106 Forward material received to contractor address shown. Must use traceable and most economical means available.
- 107 Forward material address shown for inspection/exhibit analysis. Must use traceable and most economical means available.
- 108 Forward material to contractor address shown for inspection/exhibit analysis. Must use traceable and most economical means available.
- 110 Disposal authorized in accordance with local procedures.
- 111 Disposal authorized, monetary reimbursement from contractor.
- 112 Disposal authorized, contractor will provide replacement.
- 113 Provide disposal documentation to address shown.
- 114 Provide disposal documentation by date indicated to address shown. Credit will be authorized upon receipt.

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- 115 Turn in material received to Defense Reutilization and Marketing Office (DRMO).
- 116 Turn in hazardous material received to Defense Reutilization and Marketing Office (DRMO). MIPR provided to cover disposal costs.
- 117 Material will be billed if not returned by date indicated.
- 118 Debit authorized for material retained.
- 119 Retain material received at no charge.
- 120 Retain material with consideration from contractor.
- 121 Retain material without consideration from contractor.
- 122 Retain material for future supply decision.
- 123 Material will be reissued at no charge.
- 124 Material is no longer procurable.
- 125 Incomplete part/missing component being forwarded.
- 126 Stock not available for reshipment. Your requisition has been reinstated and will be placed on backorder.
- 127 Contractor to reship.
- 128 Balance of contract material will not be shipped.
- 129 Reimbursement for repackaging discrepancy cannot be authorized until submitter provides cost for repackaging.
- 130 Place material in stock as is.
- 131 Remark/repackage material and place in stock.
- 132 Inspect and place in depot stock.

- 133 Upgrade material to Condition Code A, correction made by government with reimbursement from contractor.
- 134 Upgrade material to Condition Code A, correction made by government without reimbursement from contractor.
- 135 Documentation/technical data is being forwarded.
- 136 Confirmed canceled requisition shipped.
- 137 Additional comments provided. See remarks.
- 138 Shipment shortage based on pieces, weight, and cube.
- 139 Warehouse denial total shipment.
- 140 Warehouse denial partial shipment.
- 141 Duplicate shipment from stock or procurement.
- 142 Proof of Delivery/Evidence of Shipment not available.
- 143 SDR canceled by submitter.
- 144 Recorded for information only. No action taken.
- 145 No contractor liability found.
- 146 Material return acknowledged.
- 147 Corrected shipment document (DD Form 250) provided.

The 200-series codes provide additional information relevant to Security Assistance SDRs.

- 201 Incorrect information provided by U.S. Government contract.
- 202 MAPAD information not current by U.S. Government error.
- 203 Material erroneously returned to U.S. Government stock.
- 204 Overage of Repair and Replace material.
- 205 Shortage of Repair and Replace material.
- 206 Administrative write-off recommended.
- 207 No financial adjustment required. Excess Defense Articles (EDA). Overage not billed.
- 208 Repaired in-country by contractor or U.S. Government personnel.

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The 400-series codes indicate the SDR has been closed for the reason provided.

- 400 SDR closed. Non-compliance with disposition instructions.
- 401 SDR closed. Non-response to additional information request.
- 402 SDR closed. Wrong material returned.

The 500-series codes indicate an interim reply.

- 501 SDR assigned to Defense Contract Management Command (DCMC) for investigation.
- 502 SDR resolution deferred pending receipt of exhibit.
- 503 SDR currently under investigation.
- 504 SDR submitted to incorrect action activity. SDR forwarded as shown.
- 505 SDR under investigation. SDR has been forwarded to activity identified for additional action.
- 506 Item has been transferred to new item manager. Referred to gaining item manager (GIM) for disposition.
- 507 SDR forwarded to shipping depot for Proof of Delivery.
- 508 SDR forwarded to shipping depot for Evidence of Shipment.
- 509 SDR forwarded to local procurement office for action.
- 510 SDR forwarded to Item Manager for research and/or disposition instructions.
- 511 SDR forwarded to Industrial Operations Command for action.
- 512 SDR forwarded to Simplified Nonstandard Acquisition Program (SNAP) Project Office for action.
- 513 SDR forwarded to IL Directorate or Repair and Return Office for research of R&R case.
- 514 SDR forwarded to the packaging specialist for research.
- 515 Procurement/Defense Contract Management Command awaiting response from contractor. SDR suspended.
- 516 Receipt of material returned by customer has not posted to date. Under investigation.
- 517 Defense Finance and Accounting Service (DFAS) billing information requested.
- 518 Your SDR identifies a transportation discrepancy and is being processed as a Transportation Discrepancy Report (TDR).
- 519 Your SDR identifies a quality deficiency and is being processed as a Product Quality Deficiency Report (PQDR).

The 700-series codes indicate SDR rejection:

- 701 SDR rejected. See remarks.
- 702 SDR rejected. Material shipped as requisitioned.
- 703 SDR rejected. Overage/shortage is within contract variation clause.
- 704 SDR rejected. Evidence of shipment/proof of delivery forwarded.
- 705 SDR rejected. Records indicate the inspection or test date or this shelf-life item has been extended to date indicated.
- 706 SDR rejected. Shelf-life not applicable for this item.
- 707 SDR rejected. Acceptable substitute issued for material requisitioned.
- 708 SDR rejected. Material shipped prior to cancellation request.
- 709 SDR rejected. Discrepant quantity shipped after SDR submission.
- 710 SDR rejected. Discrepant quantity on backorder.
- 711 SDR rejected. Material shipped via insured/certified/registered mail. Request you contact local postal authority to verify delivery of material.

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- 712 SDR rejected. Submit offer of material under material returns program.
- 713 SDR rejected. Discrepancy does not meet required minimum dollar value.
- 714 SDR rejected. Billing adjustments for other than Security Assistance may not be requested on a SDR. Contact local finance office.
- 715 SDR rejected. Discrepancy not reported within required timeframe.
- 716 SDR recorded for information and possible corrective action.
- 717 SDR identifies a carrier discrepancy. Resubmit as a Transportation Discrepancy Report (TDR).¹
- 718 SDR identifies a quality deficiency. Resubmit as a Product Quality Deficiency Report (PQDR).¹
- 719 SDR rejected. Duplicate of previously submitted SDR.

1. Use of this code is discouraged. Every effort should be made to process the discrepancy report and resolve the situation without requiring the initiator to resubmit. See preferred codes 518 and 519.

The 800-series codes provide additional rejection notices relevant to Security Assistance SDRs:

- 800 SDR rejected. No U.S. Government liability.
- 801 SDR rejected. No billing discrepancy exists.
- 802 SDR rejected. Bill reflects prepositioning costs/nonrecurring costs.
- 803 SDR rejected. Bill reflects contract termination charge.
- 804 SDR rejected. Item proven serviceable when shipped (R&R, exhibits).
- 805 SDR rejected. Freight forwarder tracking system indicates material received. Customer should challenge freight forwarder.
- 806 SDR rejected. Repair/adjustment procedures provided by source.
- 807 SDR rejected. Material shipped to address specified on LOA in lieu of country.
- 808 SDR rejected. SDR does not meet latent defect criteria and is, therefore, beyond the allotted timeframe for submission.
- 809 SDR returned without action. Credit cannot be granted since debit billing has not processed. (ILCO use only.)
- 810 Freight forwarder notification not submitted for total nonreceipt.

The 900-series codes are intended for system/application use in processing transactions:

- 901 Transaction rejected. Item shipped/billed by another supply source.
- 902 Transaction rejected. Invalid action code for type of discrepancy submitted.
- 903 Transaction rejected. Invalid SDR for combination of requisitioned quantity and canceled quantity.
- 904 Transaction rejected. Open suffix must be closed before SDR can be reopened.
- 905 Transaction rejected. Simplified Nonstandard Acquisition Program (SNAP) requisitions can only be processed by TACOM and transaction Routing Identifier Code (RIC) indicates another source of supply.
- 906 Transaction rejected. Record already closed.
- 907 Transaction rejected. Record closed, canceled, or a final reply has been provided.
- 908 Transaction rejected. Record is currently open and cannot be reopened until current suffix is closed.
- 909 Transaction rejected. SDR must be reopened with suffix R as a reconsideration before it can be contested using suffix C.
- 910 Transaction rejected. Invalid document number.
- 911 Transaction rejected. Invalid case designator.

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- 912 Transaction rejected. Invalid SDR number.
- 913 Transaction rejected. Invalid SDR suffix.
- 914 Transaction rejected. Invalid preparation/submission date.
- 915 Transaction rejected. Invalid type of discrepancy code.
- 916 Transaction rejected. Invalid action desired code.
- 917 Transaction rejected. Invalid discrepant quantity.
- 918 Transaction rejected. Invalid quantity received.
- 919 Transaction rejected. Invalid interim statement number.
- 920 Transaction rejected. Invalid point of contact name.
- 921 Transaction rejected. Invalid point of contact phone number.
- 922 Transaction rejected. Invalid document to follow indicator.
- 923 Transaction rejected. Invalid transaction date.
- 924 Transaction rejected. Narrative missing.
- 925 Transaction rejected. Invalid narrative attached indicator.

Section V: SDR DISTRIBUTION AND SUPPORTING DOCUMENTATION

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1. Originally instituted as a discrepancy reporting system from end-users to suppliers, SDRs also encompass transactions between supply system activities and may be submitted to end-user activities by supply system activities in the case of material turn-in discrepancies. Accordingly, all activities should be able to properly control, process and resolve incoming SDRs.

06152 SHIPPING DISCREPANCIES

1. The determination of shipping (item) SDR action and information distribution is based upon the type or origin of the shipment, the affected service or agency, and the type of discrepancy. Copies will also be placed on the material and in a file for tracking and auditing.

a. Navy to Navy Shipment

(1) Initial action to shipping activity.

b. DOD Originated Shipments

(1) Defense Distribution Depot Shipments

(a) Army and Marine Corps directed shipments. Initial action to ICP/IMM SDR processing focal point.

(b). Total nonreceipt SDRs for Security Assistance shipments will be forwarded by the ILCO directly to the shipping depot regardless of implementing Service. Where the shipping depot is not known, forward to the ICP/IMM.

(c) All Others: Initial action to the shipping activity. DLA will accept SDRs at the shipping depot or the IMM based upon customer preference. Where the shipping activity is not known, forward to the ICP/IMM.

(2) Material Returns

(a) Initial action to manager's ICP.

(b) Copy to shipping activity.

(3) Shipments to Reutilization and Marketing

(a) Initial action to shipping activity.

(b) Copy to shipper's ICP/IMM.

(c) Copy to DRMS.

(4) Shipments from Reutilization and Marketing

(a) Initial action to shipping DRMO.

(b) Copy to DMRS.

(5) Inter-Service Shipments

(a) Initial action to shipper's ICP/IMM.

(b) Copy to shipping activity.

(6) DEPRA Directed Shipments

(a) Initial action to shipping activity.

c. DOD Central Procurement (Including Direct Vendor Delivery)

(1) For material procured centrally by a DOD Component ICP or by a DSC, distribution will be as follows irrespective of the point of inspection and acceptance.

(a) Initial action procuring contracting officer.

(b) Copy to office administering the contract/purchase order, if different from the purchasing office, except as otherwise prescribed for purchases made from federal supply schedules or GSA open-end contracts below.

(c) Copy to the ICP or IM.

d. GSA Originated or Directed Shipments

(1) When shipment is directed by GSA from GSA Supply Distribution Facilities or from Defense Distribution Depots.

(a) Initial action to GSA National Customer Service Center.

(b) Copy to shipping activity if a DOD depot.

e. Purchases Made by DOD Activities from Federal Supply Schedules or GSA Open-End Contracts

(1) Distribution will be the same as for DOD central procurement.

(2) Identify the GSA National Customer Service Center to receive a copy under the following conditions:

(a) Repetitive discrepancies.

(b) Cases of dispute that cannot be resolved between the ordering office and the supplier.

(c) Product quality deficient material in Security Assistance shipments where GSA has provided inspection at source.

f. Local Purchase

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- (1) Distribution will be the same as for DOD central procurement.
- (2) A copy will be furnished to the Government Inspector when inspection is at origin.

g. Industrial Plant Equipment Shipments

(1) The Defense Supply Center Richmond will review all SDRs from the initiator, make further distribution as necessary, request appropriate action from the consignor, and provide the initiator with replies from the consignor and other closeout action.

06153 PACKAGING DISCREPANCIES

1. DOD Components and GSA have designated activities to act as control points to monitor packaging discrepancies for their respective Service/Agency. SDRs for packaging discrepancies must be forwarded to the control activity. Specific distribution according to Service/Agency and type of shipment is provided below.

a. Navy to Navy Shipment

- (1) Initial action to shipping activity.
- (2) Copy to appropriate Navy Packaging Control Point

b. Contractor/Vendor Shipments

(1) Initial action to Administrative Contracting Office (ACO). When released by the ACO, any required repackaging at Defense Distribution Depots must be directed and reimbursed by the ICP.

(2) Copy to applicable Contract Administration Office (CAO) (block 10 of DD Form 250, Material Inspection and Receiving Report). When GSA is CAO send to GSA National Customer Service Center (NCSC).

(3) Copy to applicable ICP/IMM. When GSA is IMM send to GSA NCSC marked: IM Copy.

c. Personal Property Shipments

(1) For packaging discrepancies in personal property shipments, send original to Military Traffic Management Command and a copy to the shipping installation transportation officer.

Military Traffic Management Command
ATTN: MTOP-T-CC
5611 Columbia Pike
Falls Church, VA 22041-5050

2. DOD-Directed Shipments

a. ARMY - For all shipping and packaging discrepancies, other than ammunition and explosives, initiate action to the Army activity directing release of the material (i.e., the requisition routing identifier code (RIC) located in positions 4-6).

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NOTE: SDRs for the former of Aviation component of Aviation and Troop Command (ATCOM) (RIC B17) and the former Missile Command (MICOM) (RIC B64) should be sent to the Aviation and Missile Command (AMCOM). SDRs for the former Troop component of U.S. Army Aviation and Troop Command (ATCOM)(RIC B12)) should be submitted to Soldier Systems Command (SSCOM).

Commander
U.S. Army Communications-Electronics Command (CECOM) (RIC B16)
ATTN: AMSEL-LC-MMD-I
Tinton Avenue
Fort Monmouth, NJ 07703-5000

Commander
U.S. Army Aviation and Missile Command (AMCOM) (RIC B64)
ATTN: AMSAM-MMC-LS-DC
Building 5302, Sparkman Center, Martin Road
Redstone Arsenal, AL 35898-5000

Commander, Soldier Systems Command (SSCOM)
ATTN: AMSSC-I-SPS-SSS
Kansas Street,
Natic, MA 01760-5052

U.S. Army Tank Automotive and Armaments Command (TACOM)
Armament and Chemical Acquisition and Logistics Activity (ACALA) (RIC B14 and AKZ)
ATTN: AMSTA-AC-NCDC/SDR(SDR) Team
Rodman Avenue, Building 110
Rock Island, IL 61299-7630

b. NAVY. For all material and supplies, other than ammunition and explosives, send SDR to the command directing release of the material:

Commander
Naval Air Systems Command (RI N21)
47123 Base Unit IPT
Patuxent River, MD 20670-1547

Commander
Naval Facilities Engineering Command (RI N25)
ATTN: FAC 0644
Alexandria, VA 22332-2300

Commander
Naval Sea Systems Command (RI N23, N24, N29)
ATTN: SEA 05M31
Washington, DC 20363-5100

Commander
Space and Naval Warfare Systems Command (N77)
4301 Pacific Highway
San Diego, CA 92110-3127

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Commanding Officer
Navy Inventory Control Point (RI N32)
ATTN: Code P01511.10
700 Robbins Avenue
Philadelphia, PA 19111-5098

Commanding Officer
Navy Inventory Control Point (RI N35)
ATTN: Code 10112.05
5450 Carlisle Pike
Mechanicsburg, PA 17055-0788

- c. MARINE CORPS. For all materials and supplies, originating from Marine Corps activities:

Commander (Code 808-1)
Marine Corps Logistics Bases
814 Radford Boulevard
Albany, GA 31704-1128

- d. AIR FORCE

(1) Air Force points of contact (POC), including arms, will be the applicable item manager as contained in AFMAN 23-110, Vol. 1, Part 2, Chap 2 or Air Force Material Command Maintenance Engineering Management Assignment (T>O>00-25115); or as identified in Standardization Directory SD-1 (FSC Class Area Assignment).

(2) The following POCs apply to packaging discrepancies applicable to Air Force management items that are stored at and are issued from DLA depots located at Hill, Tinker, McClellan, Kelly, and Robins AFBs.

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Packaging SDRs will be reported to the following DLA activities:	Information copies of packaging SDRs will be provided to the following Air Force activities.
DDOU-XID Building 845 7537 Wardleigh Road Hill AFB, UT 84056-5734	75ABW/LGTP 7530 11th Street Hill AFB, UT 84056-5707
DDOO-XI 7401 2nd Street, Suite 108 Tinker AFB, OK 73145-9013	72 ABW/LGTP 7516 Sentry Boulevard Suite 202B Tinker AFB, OK 73145-8912
DDMC-XA 2031 Idzorek Street McClellan AFB, CA 95652-1621	77 ABW/LGTP 4443 Dudley Blvd McClellan AFB, CA 95652-1418
DDST-XP Building 1534 280 Dover Street Kelly AFB, TX 78241-54444	76 LG/LGTP 401 Wilson Blvd Building 1572, Door 1B Kelly AFB, TX 78241-5340
DDWG/VA 450 5th Street Robins AFB, GA 31098-1887	78 ABW/LGTP 455 Byron Street, Bldg.. 376 Robins AFB, GA 31098-1860

(3) For research, development, test, and evaluation (RDT&E) material for which inventory management has not been established (AFMAN 23-110):

Commander
 Air Force Materiel Command
 ATTN: LGT
 4375 Chidlaw Road, Suite 6
 Wright-Patterson AFB, OH 45433-5006

Note: RDT&E material are those items acquired under Air Force contracts whose contract number on the shipping container is prefixed with F04611, F04690, F04701, F04703, F04704, F08606, F08635, F19630, F33615, F33657, or F40600.

e. DEFENSE LOGISTICS AGENCY (DLA)

(1) DLA will accept SDRs by mail, telephone, electronic mail, facsimile, and message. Security Assistance SDRs for DLA activities will be accepted only after review by the appropriate ILCO.

(2) Use the following addresses for shipments from DLA contractors (contractor shipped) and material received for which the shipping depot is not known.

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Columbus, OH 43216-5697
Phone: (614) 692-2089 (DSN 850)
Fax: DSN 850-4179
E-mail: SDRs@dscc.dla.mil
Message: RUEDKFA/DSC COLUMBUS OH//DSCC-NCBB//

Commander
Defense Supply Center Richmond (S9G)
ATTN: DSCR-JFR Supply Discrepancy Report (SDR) Focal Point
8000 Jefferson Davis Highway
Richmond, VA 23297-5100
Phone: (804) 279-4158 (DSN 695) or 1-800-S9G-SDRS
Fax: DSN 695-6638
Message: DSC RICHMOND VA//DSCR-JFR//

Commander
Defense Industrial Supply Center (S9I)
ATTN: DISC-PODM Supply Discrepancy Report (SDR) Focal Point
700 Robbins Avenue
Philadelphia, PA 19111-5096
Phone: (215) 697-4115 (DSN 442)
Fax: DSN 442-5029
Message: DISC PHILADELPHIA PA//DISC-PODM//

Commander
Defense Supply Center Philadelphia (S9T)
Directorate of Clothing and Textiles
ATTN: DSCP-FMR Supply Discrepancy Report (SDR) Focal Point
2800 S. 20th Street
Philadelphia, PA 19145-5099
Phone: (215) 737-5610 (DSN 444) or 1-800-647-1986
Fax: DSN 444-7849
Message: DPSC PHILADELPHIA PA//DPSC-FMR//

Commander
Defense Supply Center Philadelphia (S9M)
Directorate of Medical Material
ATTN: DSCP -MRMC Supply Discrepancy Report (SDR) Focal Point
2800 S. 20th Street
Philadelphia, PA 19145-5099
Phone: (215) 737-5771 (DSN 444)
Fax: DSN 444-8005
Message: DPSC PHILADELPHIA PA//DPSC-MRMC//

Commander
Defense Supply Center Philadelphia
(S9S-Perishables--S9P-Semiperishables)
Directorate of Subsistence
ATTN: DSCP -HS Supply Discrepancy Report (SDR) Focal Point
2800 S. 20th Street
Philadelphia, PA 19145-5099

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Phone: (215) 737-4209 (DSN 444)
Fax: DSN 444-8462
Message: RUEOBKA//DPSC PHILADELPHIA PA//DPSC-HS//

(3) If the shipping depot is known, the SDR should be sent to one of the following Defense Distribution Depots.

Defense Distribution Depot Albany
814 Radford Boulevard, Building 1221
Marine Corps Logistic Base
Albany, GA 31704-1128

Defense Distribution Depot Anniston
ATTN: DDAA-V Supply Discrepancy Report (SDR) Focal Point
7 Franklin Avenue
Anniston, AL 36201-4199

Defense Distribution Depot Barstow
Marine Corps Logistics Base, Warehouse 7
Barstow, CA 92311-5014

Defense Distribution Depot Cherry Point
PO Box 8020
Cherry Point, NC 28533-0020

Defense Distribution Depot Columbus
PO Box 3990
Columbus, OH 43216-5000

Defense Distribution Depot Corpus Christi
540 First Street SE, Building 1846
Corpus Christi, TX 78419-5255

Defense Distribution Depot Europe
Germersheim, Germany
APO, AE 09095

Defense Distribution Depot Hill
7537 Wardleigh Road, Building 849
Hill AFB, UT 84056-5734

Defense Distribution Depot Jacksonville
Box 103
Navel Air Station
Jacksonville, FL 32212-0103

Defense Distribution Depot McClellan
2031 Idzorek Street, Building 783K
McClellan AFB, CA 95652-1621

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Defense Distribution Depot Norfolk
1968 Gilbert Street
Norfolk, VA 23512-0001

Defense Distribution Depot Oklahoma City
3301 F Avenue, Building 506
Tinker AFB, OK 73145-8000

Defense Distribution Depot Pearl Harbor, Hawaii
840 Vincennes Avenue
Pearl Harbor, HI 96860-4544

Defense Distribution Depot Puget Sound
467 W Street
Bremerton, WA 98314-1030

Defense Distribution Depot Red River
Building 303A
Texarkana, TX 75507-5000

Defense Distribution Depot Richmond
8000 Jefferson Davis Highway
Richmond, VA 23292-5900

Defense Distribution Depot San Antonio
280 Dover Street, Building 1534
Kelly AFB, TX 78241-5444

Defense Distribution Depot San Diego
2680 Woden Street, Building 322
San Diego, CA 92316-5491

Defense Distribution Depot San Joaquin
2560 S. Chrisman Road, Building 16B
Tracy, CA 95376

Defense Distribution Depot Susquehanna
New Cumberland, PA 17070-5001

Defense Distribution Depot Tobyhanna
Tobyhanna, PA 18466-5092

Defense Distribution Depot Warner Robins
450 5th Street
Robins Air Force Base, GA 31098-1887

Defense Distribution Depot Yokosuka
ATTN: DDYJ-OI
PSC 473, Box 11
FPO AP, 96349-1500

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ARMY-AIR FORCE EXCHANGE SERVICE

Chief Army and Air Force Exchange Service
ATTN: CSXTX
Dallas, TX 75222-0202

GENERAL SERVICES ADMINISTRATION

a. Send all discrepancy reports (including Security Assistance product quality deficiencies) for shipments originating from GSA supply distribution facilities or directed by GSA from a contractor/vendor or from a DOD storage activity stocking GSA-owned assets NCSC.

GSA, Federal Supply Service
National Customer Service Center (NCSC)
ATTN: 6FR
1500 East Bannister Road
Kansas City, MO 64131-3088
Phone: 1-800-488-3111
Fax: 816-926-6952.

E-mail: SDRsm.ncsc@gsa.gov

Message: RUELPUI for unclassified messages or RULSADP for classified messages. The Plain Label Address is GSA, FSS, National Customer Service Center, Kansas City MO.

DISCREPANCY REPORTS AGAINST SECURITY ASSISTANCE SHIPMENTS

a. All discrepancy reports for Security Assistance (including Foreign Military Sales (FMS) and Grant Aid (Military Assistance Program)) shipments must identify the ILCO for initial action.

b. All SA SDRs will be submitted directly to the appropriate ILCO identified below for initial screening and processing.

Army:

Commander, U.S. Army Security Assistance Command
54 M Avenue, Suite 1
New Cumberland, PA 17070-5096

Navy:

Commanding Officer, Naval Inventory Control Point (NAVICP)
ATTN: Code P753112
700 Robbins Avenue, Building 4B
Philadelphia, PA 19111-5095

Air Force:

Air Force Security Assistance Center
5490 Pearson Road
Wright-Patterson AFB, OH 45433-5332

If warranted, the ILCO will forward the report as appropriate for further action. The SDR response will be directed back to the originating ILCO. (See Part B, SA SDR).

Part B: SECURITY ASSISTANCE (SA) SDRs

Section I: ADMINISTRATION

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1. Processing of incoming SA SDRs is addressed separately in this chapter due to unique policy considerations and handling requirements. SA transactions are subject to considerations that make proper handling especially critical. On the one hand, an SA case is a contractual agreement with the armed forces of another nation and requires a high level of responsive and tactful customer service. On the other hand, all costs associated with SA cases, including administrative costs, must be fully funded by the customer. Accordingly, rigid SA procedures must be followed to preclude inadvertent and unauthorized expenditure of U.S. Government funds. The term SA should be considered synonymous with Foreign Military Sales (FMS) and the entire group of SA programs.

2. SA customers use SDRs for shipping (issuing) and packaging type discrepancies, product quality deficiencies and billing and financial discrepancies.

a. Shipping (issuing) and packaging type discrepancies are defined in Part A.

b. SDRs for billing discrepancies are used to report duplicate, multiple, or otherwise erroneous billings.

c. SDRs for financial discrepancies are used to report erroneous administrative and/or accessorial charges.

3. Each military service has an International Logistics Control Office (ILCO) which acts as an interface between the SA customer and the DOD supply system. All SA SDRs with supporting documentation will be submitted directly to the cognizant ILCO for initial screening and processing. SDRs may be forwarded via SF 364 or authorized electronic/automated formats. The service ILCOs are:

Army

Commander, U.S. Army Security Assistance Command
54 M Avenue, Suite 1
New Cumberland, PA 17070-5096

Navy

Commanding Officer, Naval Inventory Control Point (NAVICP)
ATTN: Code P753112
700 Robbins Avenue, Building 4B
Philadelphia, PA 19111-5095

Air Force

Air Force Security Assistance Center
5490 Pearson Road
Wright-Patterson AFB, OH 45433-5332

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4. Guidance to Navy activities and SA customers for investigating potential discrepancies and preparing and submitting the SF 364 is addressed in reference (r) (Chapter 20), and reference (s) (Chapter 7).
5. NAVICP-OF is the central processing point for Navy SA SDRs and has responsibility for controlling Navy SA SDRs from receipt to completion.
6. NAVICP, Navy issuing activities, and other activities, as applicable, are responsible for receiving SDRs from NAVICP-OF or another service's ILCO, conducting necessary investigative research, providing corrective action as required and responding back to the applicable ILCO.
7. As specified in reference (t), the title to materiel passes to the customer at the initial point of shipment unless otherwise specified in the LOA.
8. Credit Billings.
 - a. Credit bills processed to NAVICP-OF as a result of credit TIRs from issuing activities should be processed to NAVICP-OF within the first billing cycle after receipt of the TIR.
 - b. If NAVICP-OF follows up to the NAVICP for a billing adjustment based on an issuing activity response, the NAVICP will research to determine if the TIR was received and processed.
9. Billing document retention periods are specified in reference (u).

06212 ELECTRONIC SDR SUBMISSION

1. Fully electronic/automated SDR submission and action activity response is authorized. The SA requirement for signed SF 364 for submission and signed automated output responses has been eliminated.

Note: NAVICP-OF has a web-based On-line SDR Submission System. The On-line SDR Submission System enables SA customers to submit SDRs to NAVICP-OF through a standard Web Browser. To access the On-line SDR Submission System, each user is required to have a valid User ID and Password. To get a User ID and Password, complete the SDR On-line Request Form at <http://www.navicp.navy.mil/of/sdrlogin.htm>.

06213 TIME FRAMES

1. Receipt of SA SDRs.
 - a. Customer claims, including claims for partial shortages, must be submitted no more than one year from the passage of title. Claims received after this time limit will be rejected.
 - b. Customer claims for nonshipment/nonreceipt of an entire lot must be submitted within one year of passage of title or one year after the date of billing by DFAS-DE/I (formerly SAAC), whichever is later. Claims for nonshipment/nonreceipt of an entire lot received after this time limit will be rejected. A letter from the freight forwarder indicating that no materiel was received on the applicable requisition and Transportation Control Number (TCN) must accompany the SDR.

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c. Time limits for reporting deficiencies relating to contractor warranties are prescribed in individual warranty clauses and/or contracts. These time limits will take precedence over those listed above. A copy of the terms of the warranty should be submitted with the SDR as confirmation that the late SDR submission is valid. This, in turn, will help to avoid possible delays in SDR processing.

d. At the ILCO's discretion, time limits for customer claim submission may be waived in cases where unusual and compelling circumstances involving latent materiel defects justify consideration of the claim.

2. Response to SA SDR.

a. Action activities will furnish a properly completed response within 30 calendar days from receipt of the SDR.

b. Action activities can provide an interim response citing status and projected completion date.

Note: Action activities can receive SA SDRs from other service ILCOs. In these cases, the SDRs must meet the required time frames and dollar thresholds as established by the Military Service/Agency.

06214 FINANCIAL THRESHOLDS

1. Minimum financial threshold for claims.

a. The ILCO will reject SDRs for overages, shortages and damages which have an extended value of less than \$200 for SDRs submitted against cases implemented on or after 1 June 1992. SDRs submitted against cases implemented prior to 1 June 1992 the minimum value is \$100.

b. The ILCO will reject SDRs which are less than the specified threshold set forth in the controlling Letter of Offer and Acceptance (LOA) for the specific SA case.

c. In extenuating or unusual circumstances (e.g., warranties) the ILCO may request complete research regardless of the dollar value of the SDR. The Action Activity will perform research and provide the resulting information to the requesting ILCO.

06215 SHIPPING DOCUMENTATION

1. Navy activities shipping materiel to SA customers will, without exception, ship via traceable means.

2. Shipping documentation for SA materiel will include a signature of the authorized carrier or postal representative.

3. Shipping activities will retain hard copy shipping documentation for two years from the date of shipment and kept readily accessible to facilitate prompt research.

4. Shipping documents will include weight/cube information. This is required to provide SDR traceability for nonreceipt and partial receipt/concealed shortage discrepancies.

5. If POD or POS cannot be provided, the claim is accepted and credit is processed immediately.

06216 TRANSPORTATION (CARRIER) RELATED DISCREPANCIES

1. The U.S. Government does not assume responsibility for replacement or repair of SA materiel lost or damaged while in transit. Discrepancies that occur while the materiel is in transit are the fault of the carrier and are resolved as Transportation Discrepancy Reports (TDRs) for Government Bill of Lading (GBL) shipments or direct claims for commercial shipments. SDRs received for carrier related discrepancies are rejected by the ILCO if:

a. There is Proof of Delivery (POD) or Proof of Shipment (POS).

b. Hard copy documentation to prove point of origin entry into the transportation channel exists. For U.S. Postal Service shipments, a signed receipt at the time of mailing constitutes POS. For commercial package services, record of the package control number, waybill, airbill or other commercial tracking number constitutes POS. For freight shipments, the Collect Commercial Bill of Lading (CBL) or the GBL is POS.

06217 SUBSTITUTIONS OR ADJUSTMENTS

1. Substitution of interchangeable items or adjustment of issued quantities to unit pack quantity are not discrepancies. SA SDRs are not accepted for these occurrences unless the original customer requisition specified the appropriate MILSTRIP advice code for "furnish exact quantity requested" (2D) or one of the several MILSTRIP advice codes for "do not substitute/interchange".

06218 RECONSIDERATION REQUESTS

1. SA customers can request reconsideration of an SDR response. These written requests must be received by the NAVICP-OF within 90 calendar days of the original SDR reply date.

2. When the reconsideration request is forwarded to the Military Service/Agency focal point for resolution, the focal point must respond within 30 calendar days from the date of the ILCO correspondence.

3. SA customers can contest reconsideration decisions. Notice of the contested reconsideration decision must be received by the NAVICP-OF within 90 calendar days from the date of the NAVICP-OF reply to the request for reconsideration.

4. NAVICP-OF, Code 75, will forward the contested reconsideration request to NAVICP-OF, Code 761. Code 761 will render a final decision within 30 calendar days and forward the decision to Code 75.

06219 MATERIAL SUPPLIED FROM PROCUREMENT

1. The U.S. Government is not liable for discrepancies found in materiel supplied via procurement, and cannot use U.S. appropriated funds to resolve discrepancies.

2. The applicable Contract Administrator is responsible for requesting corrective action from the Contractor.

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3. If the Contractor denies liability and fails to provide corrective action, the Contract Administrator will advise the ILCO. The ILCO will then provide this information to the SA customer.

Section II: PROCEDURES

06221 NAVICP-OF PROCESSING

1. SA customers prepare and submit SDRs to NAVICP-OF. NAVICP-OF will review the SDRs and determine the proper course of action. If the SDR fails to meet acceptance criteria, NAVICP-OF may reject the SDR to the customer.

a. Basic acceptance criteria are:

- (1) Does the SDR contain all the required identifying information?
- (2) Does the SDR meet prescribed time submission thresholds?
- (3) Does the SDR meet the minimum dollar value limitation?
- (4) Is the SDR a duplicate request?

b. For SDRs that are not rejected back to the customer or adjusted financially using administrative funds, the following action will apply:

(1) Navy furnished materiel shipped from a Navy issuing activity, forward the SDR to the shipping (issuing) activity for action.

(a) If the shipping (issuing) activity is unknown, the Inventory Control Point (ICP)/Item Manager (IM) can be contacted for assistance/information.

(b) Once the shipping (issuing) activity is identified, all future follow ups should be directed to the shipping (issuing) activity.

(c) If an SDR cites a product quality deficiency, forward the SDR to the cognizant ICP/IM vice the shipping (issuing) activity.

(2) Navy furnished materiel shipped direct from a contractor/vendor, forward the SDR to the applicable Contract Administering Office (CAO).

(a) If the CAO is unknown, the procuring/contracting agency (normally an ICP or SYSCOM) should be contacted for assistance or information.

(b) The Contract Administrator will be responsible for contacting the Contractor and requesting that corrective action be provided.

(c) If the Contractor denies liability and is unwilling to provide corrective action, the Contract Administrator will advise NAVICP-OF who will then pass this information on to the SA customer.

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(3) For materiel furnished by all other DOD sources, forward the SDR to the applicable ICP/IM for action.

(4) For GSA furnished materiel, forward the SDR to the GSA, Federal Supply Service, National Customer Service Center, ATTN: 6FR, 1500 East Bannister Road, Kansas City, MO, 64131-3088.

c. When forwarding SDRs and SDR correspondence to action activities, NAVICP-OF will ensure that the nature of the discrepancy and the action required is clear. NAVICP-OF will annotate the date of shipment and the date of billing if this information is not already on the SDR.

d. NAVICP-OF will forward SDRs to the appropriate ICP/SYSCOM/issuing activity for processing within 15 days of receipt of the SDR from the customer. Within 15 days of receipt of the SDR response from the action activity, NAVICP-OF will advise the SA customer of the final outcome of the SDR.

e. Financial discrepancies will be forwarded to the Defense Finance and Accounting Service - Denver, Directorate for Security Assistance (DFAS-DE/I) for processing. Upon receipt of billing adjustment from the action activity, NAVICP-OF will process adjustments to DFAS-DE/I for inclusion in the SA purchaser's detailed billing listing as required in reference (u). The total amount of adjustment on an SDR will not exceed the amount billed.

f. If a Navy shipping activity indicates that a billing adjustment has been processed via the Transaction Item Report (TIR) process, follow ups for the billing adjustment will be made to the applicable ICP.

06222 ACTION ACTIVITIES (NAVICP, ISSUING ACTIVITIES)

1. Action activities will review all discrepancy reports received for applicability against materiel under their cognizance. If materiel cognizance is not applicable, forward the SDR to the applicable manager and advise the sender.
2. Action activities will research discrepancies, respond in the required time frames, provide corrective action, if appropriate, and take action to prevent recurrence.
3. NAVICP will forward SDRs against stock issues to the applicable issuing activity and advise the appropriate ILCO. NAVICP will not attempt to resolve SDRs against issuing activities which cite quantity differences; i.e., shortage, overage, nonreceipt, etc.
4. Issuing activities will review the SDR to determine whether the materiel involved was shipped by that activity. If not, the SDR is rejected back to the sender with an appropriate explanation.
5. Issuing activities will prepare a response to the SDR within 30 days using the reverse side of the hard copy SF 364, or an approved electronic/automated response format, to provide information to the initiator and as an action reply for discrepant conditions.
6. Responses will:
 - a. Acknowledge receipt of the report and concur or nonconcur with the SDR.

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- b. Provide physical disposition instructions for discrepant materiel including the transportation account code chargeable for retrograde shipment of discrepant SA materiel.
- c. Authorize a financial credit when appropriate.
- d. Direct retention or return of discrepant materiel as an exhibit for further investigation.

06223 SA SDR PROCESSING GUIDANCE

1. Issuing activities, NAVICP and NAVICP-OF, as appropriate, will use the following guidelines to process SA SDRs for the types of discrepancies noted.

a. Concealed Shortage.

(1) If the SA customer reports a concealed shortage on an individual requisition:

(a) Review the shipping documentation for weight and cube comparison.

(b) For Navy materiel, if no conclusion can be drawn from this comparison or if shipping documentation is not available:

1 Perform a transaction history review. Previous gains from the "BA" date should be taken into consideration.

2 If it appears that a previous gain can be attributed to a short shipment to the SA customer, reverse the gain and grant credit.

3 If no conclusion can be drawn from this comparison, perform a physical inventory. If an overage exists which supports the SDR, grant credit.

4 If neither the inventory results nor the transaction review support the SDR, deny credit.

5 The final SDR response will include a statement of action/justification with an original signature over the legible name and telephone number of the person responsible for the review.

(c) Concealed Shortage SDRs from Other Service ILCOs:

1 In the case of concealed shortage SDRs received from Other Service ILCOs, a physical inventory search is not sufficient evidence to justify denial.

2 POS or POD must be available and must contain a signature of transfer, the nomenclature, and the weight and cube to deny credit.

b. Wrong Item or Overage.

(1) If the SA customer reports receipt of a wrong item or overage, NAVICP-OF will request disposition instructions from the ICP. NAVICP-OF will advise the customer how and where to return the materiel and that credit will be processed when materiel is received and inspected. SA customers have 180 days to return materiel.

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(2) NAVICP-OF will also notify the original shipping activity to process inventory adjustments as necessary to correct inventory records.

c. Damaged Materiel.

(1) When the discrepancy involves damage, the issuing activity will attempt to determine if the damage occurred while materiel was under the control of the U.S. Government by reviewing the customer's description of the damage, photographs, or any other documentation submitted.

(2) If the damage occurred during shipping or after the transfer of title, the SDR will be rejected with appropriate explanation.

(3) If the damage occurred while the materiel was in the custody of the U.S. Government; i.e., before the materiel was shipped/transfer of title occurred:

(a) The issuing activity will provide disposition instructions to NAVICP-OF.

(b) NAVICP-OF will advise the customer to return the materiel and that credit will be processed upon receipt and inspection of materiel.

d. Shelf-Life Materiel.

(1) In accordance with DOD 4140.27-M, Shelf-Life Management Manual:

(a) Shelf-life items shipped to SA customers must be in Condition Code "A" unless the SA customer has specified that Condition Code "B" or "C" materiel is acceptable.

(b) For most cases, an "A" condition shelf-life item will be one with more than six months of shelf-life remaining.

(2) For SA SDRs citing expired shelf-life, the shipper will determine if the shelf-life item was in "A" condition when issued.

(3) If it was not in "A" condition when issued:

(a) Credit is appropriate.

(b) The issuing activity will advise NAVICP-OF of the disposition instructions.

(c) NAVICP-OF will advise the customer to return the materiel and that credit will be processed upon receipt and inspection of materiel.

(d) Upon receipt of materiel, a credit should be processed.

e. Quality and Billing Deficiencies.

(1) Forward SDRs citing quality deficiency to the ILCO. The SA customer must provide evidence that a receipt inspection was performed and the defect could not be detected at that time and that the defect is present for reasons other than deterioration or damage incurred during storage or handling. Quality deficiencies include deficiencies in design, specification materiel, manufacture, and workmanship. The submitter may identify latent defects and quality deficiencies which result in a safety hazard. A detailed description of the complaint may be

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provided if needed to supplement discrepancy codes. In addition provide photographs, test data, and related documentation, if available.

(a) Only SA customers may use the SDR for Product Quality Deficiencies. Navy activities will submit a QDR, SF 368.

(b) The ICP or IM will investigate reported SA Product Quality Deficiency Reports (PQDRs), interfacing with the contractor, the Hardware System Command, etc., to determine if the complaint is valid.

(c) If the complaint is valid, the customer will be provided a billing adjustment and disposition instructions for materiel via the cognizant ILCO.

(d) If the complaint is not valid, provide the customer details of the investigation that led to this determination in the SDR reply via the cognizant ILCO.

(2) In accordance with DOD 4000.25-7-M, Military Standard Billing Systems (MILSBILLS) or the DLMS, Vol. 7, Finance, billing discrepancies will be converted to MILSBILLS Document Identifier FAE transactions and submitted to the billing office.

06224 DISPOSITION INSTRUCTIONS

1. Whenever materiel is directed for return to U.S. custody, the purchasing country will be instructed to reship the materiel using the same document number under which the materiel was originally shipped. The country will be advised that they must return the materiel to U.S. Government custody within 180 days from date of approval/instructions. When appropriate the action activity may direct the submitter to return an exhibit of the discrepant materiel. The activity requesting this action will pay for exhibit shipment costs. Action activities will furnish DD Form 1348-1A for materiel to be returned. A copy of the SDR and DD Form 1348-1A should be included with returned materiel and annotated as an SDR RETURN. Upon evidence of materiel being returned, a credit adjustment will be processed for the return of the discrepant materiel if previously authorized. This evidence releases the SA customer of liability for the materiel. In those instances when materiel is to be returned to the United States at U.S. Government expense, every effort will be made to utilize the Defense Transportation System (DTS) for the return movement. Block 13 of the DD Form 1348-1 must contain the Transportation Account Code (TAC) chargeable to return the discrepant materiel.

a. Transportation appropriation chargeable is "97-11X8242 L009 8401 PIII GBL 843000".

(1) The P signifies the military service which maintains control of the case (P-Navy, B-Army, D-Air Force).

b. TACs are:

(1) PIII - Navy Shipments.

(2) BIII - Army Shipments.

(3) DIII - Air Force Shipments.

Part C: STOCK IN TRANSIT (SIT SDR)

Section I: Administration

06311 GENERAL

1. The Stock-In- Transit (SIT) system tracks material in transit between two Navy Centralized Accounting and Billing (CAB) activities. Commercial overhaul contractors are also considered CAB activities. CAB activities submit Transaction Item Reports (TIRs), an automated transmission to an ICP reporting a change in stock position such as an issue, receipt, or adjustment. As long as each TIR for material movement is matched by an associated receipt TIR from the intended recipient, the SIT program is satisfied. SIT includes transactions for stock redistributions, stock referrals, retrograde transshipments and returns from commercial or other service repair facilities. Specifically, SIT automates the search of internal ICP files and external stock point files for unmatched stock-in-transit records, sends follow ups and processes follow up replies, creates adjustment transactions and triggers write-off recommendations.
2. The Stock in Transit Network (SITNET) is a screen driven on-line transaction processing system used at selected UADPS-SP activities to track, control and resolve unmatched SIT issue transactions.
3. SDRs are used by the SIT program as the vehicle to report, track, control and resolve SIT issue transactions. SIT SDRs are distinct from standard SDRs previously discussed and are governed by the thresholds and response times contained in this section. SITNET activities receive and respond to SIT SDRs on-line. SITNET contains a partnering table that allows a Fleet Industrial Support Center (FISC) to load their partner sites into the program. Non-SITNET activities receive and respond to SIT SDRs via hard copy.
4. SIT policy and procedures in this section apply to Navy activities and any other service or agency warehousing Navy material.

06312 NAVAL INVENTORY CONTROL POINT (NAVICP) ACCOUNTABILITY

1. NAVICP Mechanicsburg and Philadelphia, as Centralized Accounting & Billing (CAB) agents, are financially accountable for SIT.
2. Unmatched issue and unmatched receipt transactions from CAB activities are stored at the applicable ICP in the Receipt Tracking Index (RTI). When a matching TIR is received (i.e., a receipt TIR that matches an issue TIR or an issue TIR received after a receipt TIR), the record in the RTI is automatically closed.
3. When an automatic match does not occur, PM76 will attempt to find the matching transaction.
4. When PM76 does not find a matching receipt, NAVICP will run the Batch File Transfer program to scan stock point files for POS and/or receipt data.
5. When a matching receipt is not found within 45 days using the above method, NAVICP will send a SIT SDR to the applicable FISC the following procedures:

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a. Research to resolve the SIT SDRs will be performed either by the FISC or the issuing stock point, depending on the established memorandum of agreement. When POS is received, forward the POS on a SIT SDR to the intended receiving stock point to obtain receipt data.

b. Forward SIT SDRs once a week to FISCs no later than 150 days from the issue transaction date. PM76 will transmit automated SIT SDRs to stock points with the SITNET program. Mail hard copy SIT SDRs (SF 364) to stock points without SITNET.

c. Forward letters, vice SIT SDRs, to request POS or receipt data from commercial contractors or other service repair facilities.

6. Send no external follow ups to reconcile unmatched SIT receipt transactions (an unmatched SIT receipt has no matching issue).

7. When hard copy POD is required, PM76 will generate a SF 361, Request for Information Transportation Discrepancy Reports (RFI TDR).

a. Send the RFI TDR to NAVTRANS to obtain hard copy POD (and POS if none has been obtained previously) for an **ATAC** shipment to either organic or commercial DOPs when POT is available but not POS. RFI TDRs are also used when NAVICP receives a negative response to a request for receipt data from a commercial or other service DOP. When unable to obtain POD within 30 days, NAVTRANS will automatically convert the RFI TDR to a Claim TDR.

b. Send the RFI TDR directly to the carrier of a shipment when requesting POD for a **non-ATAC** shipment to a commercial contractor. When the carrier is unable to provide POD, the ICP will prepare a Claim TDR to DFAS and process a shipment loss.

06313 STOCK POINT ACCOUNTABILITY

1. Ensure that receipt transactions are properly processed within 30 days.

2. If SITNET is installed, follow the guidance provided in the SITNET User's Manual, as well as in this section.

3. Send all SIT SDR responses directly to the applicable ICP. Do not send responses or copies of responses to any other activity.

06314 SIT SDR TYPES

1. SIT SDRs are separated into two general categories, "PS" to obtain POS information and "RC" to obtain receipt information. Within each category are several types:

a. "PS" SIT SDRs to obtain POS:

(1) Type AA - forwarded to an ATAC hub or node for POT/POS on DLR transshipments to Navy organic repair facilities.

(2) Type DD - forwarded to an ATAC hub or node for POT/POS on DLR transshipments to commercial or other service repair facilities.

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(3) Type EE - forwarded to shippers of ICP directed referrals or redistributions. Shipments may have been directed to Navy stock points, other service or commercial DOPs. In addition to POS, stock points must provide a Standard Carrier Alpha Code (SCAC) for every shipment using modes other than G, H, or 5.

b. "RC" SIT SDRS to obtain receipt information:

(1) Type BB - forwards POS and POD to intended receivers of ATAC transshipments.

(2) Type CC - forwards POS to intended receivers of ATAC transshipments.

(3) Type FF - forwards POS for all modes of shipment and includes the SCAC for all shipments with modes other than G, H, and 5 to intended receivers of ICP directed redistributions and referrals.

(4) Type GG - forwards POS for all modes of shipment and includes the SCAC for all shipments with modes other than G, H, and 5 to intended receivers of material repaired either by a commercial or other service DOP.

06315 CONFIRMATION

1. The goal of the SIT SDR process is to resolve unmatched transactions. This is accomplished by confirming transfer, shipment, or delivery with evidence in the form of "proof" documents meeting certain minimum standards (e.g. while a TIR may report a shipment, a proof of shipment is accepted as evidence that material custody was transferred to a carrier). The three types of proof documents used with SIT are:

a. Proof of transfer (POT) is confirmation of custody transfer to an ATAC agent (signed copy of DD Form 1348-1 or locally prepared manifest). Valid POT includes:

(1) Badge number of employee completing transfer.

(2) Date of transfer

b. Proof of shipment (POS) confirms that a carrier accepted responsibility for shipping and delivering material. POS varies for non-traceable and traceable material.

(1) POS for non-traceable shipments (consumable and field level repairable items)

(a) Mode of shipment

(b) Date of shipment

(2) POS for traceable shipments (depot level repairable items and APA material)

(a) Mode of shipment

(b) Date of shipment

(c) Traceable number (e.g., TCN, GBL)

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(d) Standard Carrier Alpha Code (SCAC) for shipment modes other than surface or air parcel post and surface small package carrier.

(e) Shipper account number and pickup record number for UPS shipments

(f) GBL and package number for RPS shipments

(g) PRO number for truckload and less than truckload surface shipments

c. Proof of delivery (POD) confirms that material was delivered to a receiving activity. Valid POD is a freight agent manifest that includes:

(1) Date material was received

(2) Signature of person who signed for receipt

(3) Receiving activity's stamp (optional)

06316 TIME FRAMES

1. NAVICP will generate and send both electronic and manual SIT SDRs no later than 150 days from the date of the issue transaction.

2. Monthly, NAVICP will mail a list or diskette of open SIT SDRs to non-SITNET stock points. This list or diskette is a follow-up to the original hard copy SIT SDRs. SITNET users can obtain a list of open SIT SDRs by accessing the "All Open SIT SDRs List" on SITNET.

3. Action Activities receiving SIT SDRs are responsible for researching the discrepancy and responding in 30 calendar days from date of receipt of report.

06317 SIT SDR DOLLAR VALUE THRESHOLDS

1. Tracking decisions for SIT SDRs are based first on the Controlled Inventory Item Code (CIIC) code of the item and then on an associated dollar value threshold.

2. The ICP will perform internal research and external SIT SDR actions to reconcile unmatched SIT issues equal or greater to the dollar value thresholds shown below.

3. For unmatched SIT issues less than these thresholds, NAVICP will perform internal research only. When a matching receipt cannot be found after internal research is performed, the ICP will adjust the below-threshold transaction when it ages six months.

4. Threshold values:

a. The dollar thresholds for Unclassified items (CIIC of 'U') are:

(1) Navy Working Capital Account (NWCF) Non-DLR transaction: \$2500

(2) NWCF DLR transaction: \$15,000

(3) Appropriation Purchase Account (APA) transaction: \$20,000

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b. The CIIC and associated dollar thresholds applicable to SIT SDRs for classified, sensitive, and pilferable items are as follows:

CLASSIFIED ITEMS

Code	Explanation	Dollar Threshold
A	Confidential - Formerly Restricted Data	\$0.00
B	Confidential - Restricted Data	\$0.00
C	Confidential	\$0.00
D	Confidential – Cryptologic	\$0.00
E	Secret – Cryptologic	\$0.00
F	Top Secret – Cryptologic	\$0.00
G	Secret - Formerly Restricted Data	\$0.00
H	Secret - Restricted Data	\$0.00
K	Top Secret - Formerly Restricted Data	\$0.00
L	Top Secret - Restricted Data	\$0.00
O	Item contains naval nuclear propulsion information; disposal and access limitations are identified in NAVSEAINST C5511.32	\$0.00
S	Secret	\$0.00
T	Top Secret	\$0.00

SENSITIVE ITEMS

Code	Explanation	Dollar Threshold
1	Highest Sensitivity (Category I) - Nonnuclear missiles and rockets in a ready-to-fire configuration and explosive rounds for nonnuclear missiles and rockets	\$0.00
2	High Sensitivity (Category II) - Arms, Ammunition and Explosives	\$0.00
3	Moderate Sensitivity (Category III) - Arms, Ammunition and Explosives	\$0.00
4	Low Sensitivity (Category IV) - Arms, Ammunition and Explosives	\$0.00
5	Highest Sensitivity (Category I) - Arms, Ammunition and Explosives with a physical security classification of Secret	\$0.00
6	Highest Sensitivity (Category I) - Arms, Ammunition and Explosives with a physical security classification of Confidential	\$0.00
8	High Sensitivity (Category II) - Arms, Ammunition and Explosives with a physical security classification of Confidential	\$0.00
9	Item identified as a Controlled Cryptographic Item (CCI). CCI is described as secure telecommunications or information handling equipment, associated cryptographic component, or other hardware item which performs a critical COMSEC function	\$0.00
N	Firearms	\$0.00
P	Ammunition and explosives	\$0.00
Q	A drug or other controlled substance designated as a Schedule III, IV, or V item, in accordance with the Controlled Substance Act of 1970	\$0.00
R	Precious Metals, a drug or other controlled substance designated as a Schedule I or II item, in accordance with the Controlled Substance Act of 1970	\$0.00

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PILFERAGE ITEMS

Code	Explanation	Dollar Threshold
I	Aircraft engine equipment and parts	\$2,500.00
J	Pilferage - Pilferage controls may be designated by the coding activity to items coded U (Unclassified) by recording the item to J	\$2,500.00
M	Handtools and shop equipment	\$2,500.00
V	Individual clothing and equipment	\$2,500.00
W	Office machines	\$2,500.00
X	Photographic equipment and supplies	\$2,500.00
Y	Communication/electronic equipment and parts	\$2,500.00
Z	Vehicular equipment and parts	\$2,500.00
7	Item assigned a Demilitarization Code other than A, B or Q for which another CIIC is inappropriate	\$2,500.00

06318 MANDATORY SIT SDR DATA

1. NAVICP will ensure the following data is entered on SIT SDRs, both electronic and hard copy:

Request for Proof of Shipment (PS)	Request for Proof of Receipt (RC)
SDR report number	SDR report number
NSN	NSN
Issuer name and UIC	Issuer name and UIC
Intended receiver name/UIC	Intended receiver name/UIC
Type of SIT SDR	Type of SIT SDR
Condition code	Condition code
Unit price	Unit price
Extended dollar value	Extended dollar value
Quantity	Quantity
Date SDR prepared	Date SDR prepared
Transaction date	Transaction date
Cog	Cog
	Mode Shipped
	Date Shipped
	SCAC (if applicable)
	Traceable number (if applicable)
	PRO or Account number (if applicable)

Section II: Procedures

06321 REPLY CODES

1. Stock points:

a. Choose one three-character code from the chart below to reply to a SIT SDR.

b. SITNET users enter the code in "REPLY CD" field of the SIT SDR processing screen. Non-SITNET users enter the code directly on the hard copy SIT SDR in Block 23.

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c. In addition to entering the reply code in SITNET or on the hard copy SDR, submit shipment or receipt data.

STOCK POINT REPLY CODES

“PS” SIT SDRs (Type AA, DD, EE)	“RC” SIT SDRs (Type BB, CC, FF, GG)	Explanation
S01		POS Provided
S02		Issue Reversed (No M4 FIR)
S03		Issue Reversed (M4 FIR)
S04	S04	RFI TDR sent
S06		Proof of Transfer (POT) provided
	S11	Shipper loss (M5 FIR) processed
	S12	Receipt processed (material found, warehouse overage)
	S13	Receipt processed on date indicated
	S14	Receipt processed (inventory gain reversed)
	S15	Receipt previously processed under transposed document numbers
	S16	Receipt Processed after reversing pseudo receipt document number
	S17	Zero stow (M4 FIR)
S31	S31	Deleted (explanation attached)*
S40	S40	See remarks**

* Prior to deleting the record, the stock point should verbally discuss with ICP.

** Use S40 reply when no other reply code is appropriate.

2. ICPs use only one SITNET reply code:

“PS” SIT SDRs (Type AA, DD, EE)	“RC” SIT SDRs (Type BB, CC, FF, GG)	Explanation
S30	S30	Canceled

3. The reply codes displayed below are automatically generated by the SITNET program and will not be manually entered:

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SITNET GENERATED REPLY CODES

"PS" SIT SDRs (Type AA, DD, EE)	"RC" SIT SDRs (Type BB, CC, FF, GG)	Explanation
S21	S21	Rejected for dollar value
S22	S22	Rejected for time frame
S23	S23	Rejected for wrong activity
S24	S24	Rejected for mismatched data
S25	S25	Rejected for missing data

06322 SIT SDR PROCESSING GUIDANCE

1. ICP action to obtain POS for an ATAC shipment when neither POT nor POS has been obtained (using PM76 program research and Batch File Transfer inquiries) for material shipped under the Advanced Traceability and Control (ATAC) program, send an "AA" or "DD" SIT SDR to the hub or node within 150 days of the issue transaction date to obtain POS.

a. Send an "AA" SIT SDR to obtain POT/POS for material shipped to a Navy activity.

b. Send a "DD" SIT SDR to obtain POT/POS for material shipped to a commercial or other service facility.

2. Upon receipt of POS from the hub or node, and the intended receiver is a Navy organic activity, forward type "CC" SIT SDR.

3. Upon receipt of POS from the hub or node, and the intended receiver is a commercial or other service repair facility, request hard copy POD from ATAC personnel at the Naval Transportation Support Center (NAVTRANS). Submit the request on a SF 361, Request for Information Transportation Discrepancy Request (RFI TDR).

a. When NAVTRANS provides hard copy POD (freight agent manifest), attach the POD to a letter requesting confirmation of receipt.

(1) If the facility advises they are unable to confirm receipt, process a physical inventory loss against the facility to the ICP General Ledger maintained for that repair site. FAX the information to the appropriate DCAS.

(2) If the facility confirms receipt, take appropriate action to clear the unmatched SIT record.

b. When NAVTRANS cannot obtain POD from the ATAC carrier, they will notify the activity submitting the SIT SDR of the loss and process a claim action against the ATAC contractor.

4. When POT but not POS has been obtained (either from the hub or through research), request POS from ATAC personnel at NAVTRANS on a SF 361, Request for Information Transportation Discrepancy Request (RFI TDR).

a. Complete the SF 361 in accordance with reference (v) and the following guidance.

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SF 361 Request for Information Transportation Discrepancy Report (RFI TDR)

PART I (RFI)

1. Date (Julian Date of TDR preparation)
2. Report Number
3. NAVTRANS
1837 Morris Street
Norfolk, VA 23511-3492
4. Reporting Activity (ICP Address)
5. Consignor (Name/Address of issuing activity)
6. Consignee (name/address of intended receiver)
7. Shipper (same as block 5)
8. Carrier Routing and Identification
10. Carrier's Pro/Freight Bill No. (TCN from ATAC carrier's delivery receipt)
11. Destination (same as block 6)
12. Bill of Lading No./Type (Type is GBL or CBL)
13. Mode
14. Date Carrier Signed for Shipment (found on ATAC database or GBL/freight bill)
16. Date Discrepancy Discovered (date TDR process started)
20. Document No. (list all document numbers included in block 10 shipment)
21. NSN
22. Type of Pack (Appendix Z of reference (v)).
23. Quantity
24. Type and Cause Code (Appendix Z of reference (v)).
25. Unit of Issue
26. Units Shipped
27. Discrepant Units
28. Weight (total weight, if known)
29. Value or Cost of Repair (extended standard price)
30. Remarks: "Provide POS and hard copy POD for above NSNs. Repair site shows no evidence of receipt. If hard copy POD is not provided, initiate claim action and advise submitter."
- 31a. Name of Preparer
- 31b. Title of Preparer
- 31c. Telephone No. (DSN and commercial)
- 31d. Signature

b. When POS/POD is received from NAVTRANS, update internal records and forward POS/POD to the intended receiver to use to search for receipt of the material.

(1) When the intended receiver is a Navy organic activity, forward POS/POD on type "BB" SIT SDR. Attach the POD to the hard copy SIT SDR for a non-SITNET site and FAX the hard copy POD to the SIT SDR point of contact at a SITNET site upon request.

(2) A Navy stock point unable to confirm receipt will process the appropriate adjustment and report the action to the ICP using the proper reply code. A Navy stock point able to confirm receipt will do so via the proper reply code.

c. When NAVTRANS cannot obtain POD from the ATAC carrier, they will notify the activity submitting the SIT SDR of the loss and process a contract action against the ATAC contractor.

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When so notified by NAVTRANS, process a shipment loss (SGL 729112) for the transaction intended for a commercial, other service, or Navy organic repair facility against the ICP General Ledger maintained for that repair facility. If a receipt Transaction Item Report (TIR) is received for a transaction previously processed as a claim action by NAVTRANS, notify NAVTRANS immediately to cancel contract action against the ATAC carrier.

06323 TYPE "AA" AND "DD" SIT SDR

1. Action for issuers of ATAC material (hub and node) will forward an "AA" or "DD" SIT SDR to obtain POT and POS data from the issuer of material shipped via the ATAC system.
2. Search for POT and POS on the Carcass Tracking File (CTF) record. Valid POS will contain mode of shipment, traceable number, and date of shipment.

a. If POT/POS is not on the CTF record, search for POT in the DRAPR electronic signature control system or manual custody transfer records. Valid POT will contain the date the material was turned over to the ATAC agent and badge number of the employee transferring the material.

b. When POT only is found, send an "S06" reply code to the ICP with valid POT data.

c. When POS only is found, send an "S01" reply code to the ICP with valid POS data.

d. When both POT and POS are found, send an "S01" reply code to the ICP with valid POT and POS data.

e. When neither POT nor POS is found, call the intended receiver to verify receipt.

(1) When intended receiver acknowledges receipt, request a faxed copy of their Transaction Ledger on Disk (TLOD) containing the receipt transaction/appropriate explanation. Send to ICP.

(2) When intended receiver does not verify receipt, search your TLOD for a pseudo document number, a processed receipt or a transposed receipt.

(a) If found, take appropriate action and send the proper reply code to the ICP.

(b) If **not** found, search TLOD for a gain. If a gain (quantity equal to or greater than the discrepant quantity) is found, reverse the gain transaction. Using a ZU3 transaction, check to see if the record is on the CTF.

1. If the record is on the CTF, access the ZV8 inquiry screen on the MRIL Processor Menu, enter "Z" in the REV INC field (as well as completing the other basic information required, to reverse the D6A/D7K transaction), process a receipt, and send a "S14" reply code and the date the receipt was processed to the ICP.

2. If the record is **not** on the CTF and a D6A/D7K transaction was reported to the ICP, create a record using a "ZEP" transaction, access the ZV8 inquiry screen on the MRIL Processor Menu, enter "Z" in the REV IND field, as well as the other basic information required, to reverse the D6A/D7K transaction, process a receipt, and send a "S14" reply code and the date the receipt was processed to the ICP.

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Note: If you use a reidentified NIIN, enter it in the correct field on the ZV8 inquiry screen.

(c) If a gain is **not** found, conduct a physical inventory. If the material or an overage equal to or greater than the discrepant quantity is found during the inventory, input a ZU3 transaction to determine if the record is on the CTF.

1. If the record is on the CTF, access the ZV8 inquiry screen on the MRIL Processor Menu, enter "Z" in the REV INC field (as well as completing the other basic information required, to reverse the D6A/D7K transaction), process a receipt, and send a "S12" reply code and the date the receipt was processed to the ICP.

2. If the record is **not** on the CTF and a D6A/D7K transaction was reported to the ICP, create a record using a "ZEP" transaction, access the ZV8 inquiry screen on the MRIL Processor Menu, enter "Z" in the REV IND field (as well as the other basic information required, to reverse the D6A/D7K transaction), process a receipt, and send a "S12" reply code and the date the receipt was processed to the ICP.

(d) If material is **not** found and the TLOD shows a D6A/D7K properly processed, check to see if the record is on the CTF.

1. If the record is on the CTF, access the ZV8 inquiry screen on the MRIL Processor Menu, enter "Z" in the REV INC field, enter "A" in the SPECIAL PROC CODE field to generate a receipt to use for zero stow, process a zero stow by entering the override codes shown below (this will generate a D6K receipt and physical inventory loss), and send a "S03" reply code and the date the loss was processed to the ICP.

2. If the record is **not** on the CTF, create a record using a "ZEP" transaction, access the ZV8 inquiry screen on the MRIL Processor Menu, enter "Z" in the REV INC field, enter "A" in the SPECIAL PROC CODE field to generate a receipt to use for zero stow, process a zero stow by entering the override codes shown below (this will generate a D6K receipt and physical inventory loss), and send a "S03" reply code and the date the loss was processed to the ICP.

OVERRIDE CODES

For MTIS Receipts	For Regular Receipts
0 (zero) in QTY STORED field	Q in MTIS REC ADJ CD field
Q in MTIS REC ADJ CD field	
H in MTIS ADJ REA CD field	

3. If an invalid transaction is found (e.g. an issue reported twice), access the ZV8 inquiry screen on the MRIL Processor Menu, enter "Z" in the REV CD field to reverse the duplicate D6A/D7K transaction, recreate the carcass record on the CTF using a "ZEP" transaction, update the CTF record to reflect the original transaction using a "ZU3" transaction, and send a "S02" reply code to the ICP explaining, in REMARKS, why the issue was reversed.

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06324 TYPE "BB" AND "CC" SIT SDR

1. Action for receivers of ATAC material will forward a "BB" SIT SDR to the intended receiver of material shipped from an ATAC hub or node to obtain receipt information. The SIT SDR will include POD data.
2. The ICP will forward a "CC" SIT SDR containing POS to the intended receiver of material shipped from an ATAC hub or node to obtain receipt data. .
3. Search the Carcass Tracking File, Receipt Due History File, TLOD, and Receipt Control File for evidence that a receipt occurred and was reported to the ICP:
 - a. If the receipt was posted accurately, send a "S13" reply code and the date the receipt was processed to the ICP.
 - b. If the receipt was posted under a transposed document number, send a "S15" reply code with the appropriate information annotated and the date the receipt was processed to the ICP.
 - c. If the receipt was posted under a pseudo document number, reverse the receipt and process a new receipt. Send a "S16" reply code and the date the receipt was processed to the ICP.
 - d. If no receipt was posted, check the TLOD for an inventory gain.
 - (1) If a gain (quantity equal to or greater than the discrepant quantity) is found, reverse the gain, process a receipt, and send a "S14" reply code and the date the receipt was processed to the ICP.
 - (2) If gain is **not** found, conduct a physical inventory.
 - (a) If the material is found, process a receipt and send a "S12" reply code and the date the receipt was processed to the ICP.
 - (b) If the material is **not** found, prepare and send a SF 361, RFI TDR to NAVTRANS for hard copy POD. Non-SITNET activities will send a copy of the RFI TDR to the ICP. SITNET users will send a "S04" reply code to the ICP with the date the RFI TDR was forwarded in the DT SHIP/RCVD field and where it was sent in the REMARKS field.

Note: RFI TDRs are only prepared for type "BB" SIT SDRs. Type "CC" SIT SDR should provide POD. If POD is missing, request a facsimile copy from the ICP.

1. If NAVTRANS furnishes POD within 60 days (or ICP provides POD), review the POD for validity. If the POD is valid, check for information that would help locate the material. If the material is found, take the appropriate receiving action and report the receipt to the ICP using the proper reply code. If receipt is unconfirmed, process receipt and zero stow transactions (this will generate a physical inventory loss). Send a "S17" reply code and the date the physical inventory loss was processed to the ICP. If the POD is invalid or incomplete, contact NAVTRANS for assistance.

2. If NAVTRANS does not furnish hard copy POD within 60 days, generate a shipper's loss by processing a receipt transaction through ABE (Enter "S" in the DISCREPANT

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CD field) and process a zero stow transaction. Send a "S11" reply code and the date the loss was processed to the ICP.

06325 TYPE "EE" SIT SDR ICP ACTION

1. Forward an "EE" SIT SDR to an issuing stock point to obtain proof of shipment (POS) for an issue TIR remaining unmatched after 45 days despite efforts to match it to a receipt TIR using PM76 program research and Batch File Transfer inquiries. "EE" SIT SDRs apply to any item of any cog shipped outside of the ATAC system.

2. All SIT SDR replies from the issuer must include the Standard Carrier Alpha Code (SCAC) or the carrier's name and address for material shipped via any mode other than G, H, U, or 5. The SCAC is a four-letter code for a carrier's name and address. The SCAC or carrier's name/address is required to send RFI and Claim TDRs.

3. When you receive POS for an issue to a commercial or other service repair facility, update the records and try to obtain receipt information. If the commercial or other service repair facility will not look for the receipt without hard copy POD, send a RFI TDR to the carrier for hard copy POD in accordance with reference (v).

a. When the carrier provides hard copy POD, forward POD to the commercial or other service repair facility and request proof of receipt.

(1) When the repair site does not confirm receipt within 60 days, process a physical inventory loss against the ICP General Ledger maintained for that repair site.

(2) Send notification to the appropriate CAO

b. When the carrier does not provide hard copy POD within 60 days, process a shipment loss against the ICP General Ledger maintained for that repair site. Send a Claim TDR to Defense Finance & Accounting Service (DFAS), Norfolk Operating Location (FTA) in accordance with reference (v). Under "Remarks", enter "POD not provided; intended receiver has no evidence of receipt". (See TYPE "FF" AND "GG" SIT SDR - RECEIVER ACTION for preparation of SF 361, Transportation Discrepancy Report example).

4. When POS is received for an issue to a Navy stock point, update records and send POS and request for receipt data on a type "FF" SIT SDR. Include SCAC or shipper's name and address on every "FF" SIT SDR when material was shipped via modes other than G, H, U, or 5. Include PRO number for trucking companies, account numbers for UPS shipments, and package numbers for RPS shipments, when applicable.

06326 TYPE "EE" SIT SDR ISSUER ACTION

1. The ICP will forward an "EE" SIT SDR to obtain POS information.

2. Search for POS in the NAVADS, Requisition Status, and Demand History files.

3. Provide the following mandatory POS data directly to the ICP:

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- a. Mode of Shipment
 - b. Date of Shipment
 - c. Traceable number for DLR shipments. (Traceable numbers include TCN, GBL, or CBL number)
 - d. Standard Carrier Alpha Code (SCAC) or carrier's name and address for an ICP directed redistribution issued to a commercial or other service DOP and shipped any mode other than G, H, or 5.
 - e. Carrier's PRO number when material was shipped Mode A or B.
 - f. UPS/RPS account number when material was shipped Mode 5.
4. If POS is found, SITNET users will send a "S01" reply code to the ICP with mandatory POS data. Non-SITNET users will annotate "S01" on the hard copy SIT SDR, include mandatory POS data and forward directly to the ICP.
5. If POS is **not** found, search hard copy documents.
- a. If POS is found, post POS to the Requisition Status File (RSF) and forward to the ICP.
 - b. If POS is **not** found, search the TLOD for a receipt.
 - (1) If a receipt is found for the same document number, reverse the receipt, process a ZWC transaction to credit the original issue, and send a "S02" reply code and the date the receipt was processed to the ICP.
 - (2) If a receipt is **not** found, search for a gain.
 - (a) If a gain (quantity equal to or greater than the discrepant quantity) is found, reverse the gain, process a ZWC transaction to credit the original issue, and send a "S02" reply code and the date the reversal was processed to the ICP.
 - (b) If a gain is **not** found, conduct a physical inventory.
 1. If material or an overage equal to or greater than the discrepant quantity is found, process a ZWC transaction to credit the original issue and send a "S02" reply code and the date the reversal was processed to the ICP.
 2. If material or an overage equal to or greater than the discrepant quantity is **not** found, process a ZWC transaction to credit the original issue, process a ZAT transaction to generate a physical inventory loss, and send a "S03" reply code and the date the loss was processed to the ICP.
6. If an invalid transaction is found (e.g., duplicate issue TIRs), follow the procedures described above for finding a gain, correct the record, and send an "S02" reply code to the ICP.

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06327 TYPE "GG" SIT SDR ICP ACTION

1. A "GG" SIT SDR is generated to obtain proof of receipt from the intended receiver of material that was repaired by a commercial or other service repair facility.
2. Prior to generating a "GG" SIT SDR, ask the repair facility for POS if none is on hand.
3. Generate a SIT SDR to the intended receiver. When required, include SCAC and PRO number or UPS account number.

06328 TYPE "FF" AND "GG" SIT SDR RECEIVER ACTION

1. The ICP will forward a "FF" SIT SDR to the intended receiver of ICP redistributions or referrals to obtain receipt information.
2. The ICP will forward a "GG" SIT SDR to the intended receiver of material that was repaired by a commercial or other service facility to obtain receipt information.
3. The SIT SDR will include the shipper's PRO number when material was shipped Mode A or Mode B or the UPS/RPS account number, when applicable.
4. Search the Receipt Due History file, TLOD, and Receipt Control file for evidence that a receipt was reported to the ICP:
 - a. If the receipt was posted properly, send a "S13" reply code and the date the receipt was processed to the ICP.
 - b. If the receipt was posted under a transposed document number, send a "S15" reply code to the ICP with the appropriate information annotated and the date the receipt was processed.
 - c. If the receipt was posted under a pseudo document number, reverse the receipt and process a new receipt. Send a "S16" reply code and the date the receipt was processed to the ICP.
 - d. If the receipt is **not** found, check the TLOD for an inventory gain.
 - (1) If a gain (quantity equal to or greater than the discrepant quantity) is found, reverse the gain, process a receipt, and send a "S14" reply code to the ICP with the date the receipt was processed.
 - (2) If a gain is **not** found, conduct a physical inventory.
 - (a) If the material is found, process a receipt and send a "S12" reply code and the date the receipt was processed to the ICP.
 - (b) If material is **not** found and was **not** required to be a traceable shipment, process a shipment loss transaction and send a "S11" reply code and the date the receipt was processed to the ICP.
 - (c) If material is **not** found and was **not** shipped, as required, by a traceable shipment, send a "S40" reply code with an explanation of the circumstances to the ICP. The intended receiver is **not** responsible for the shipment.

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(d) If material is **not** found and was shipped, as required, by a traceable shipment, process a RFI TDR to the carrier for hard copy POD. Non-SITNET activities will send a copy of the RFI TDR to the ICP. SITNET users will send a "S04" reply code to the ICP with the date the RFI TDR was forwarded in the DT SHIP/RCVD field.

1. If the carrier provides POD within 60 days, review the POD for validity. If the POD is valid, check for information that would help locate the material. If the material is found, take the appropriate receiving action and report the receipt to the ICP using the proper reply code. If receipt is unconfirmed, process receipt and zero stow transactions (this will generate a physical inventory loss). Send a "S17" reply code and the date the physical inventory loss was processed to the ICP.

2. If the carrier does not furnish hard copy POD within 60 days or POD is invalid, generate a shipper's loss by processing a receipt transaction through ABE (enter "S" in the DISCREPANT CD field), process a zero stow transaction, send a "S11" reply code and the date the loss was processed to the ICP, and process a claim TDR to DFAS in accordance with reference (v).

Note: When material was shipped certified parcel post, send postal service form PS 381 I-A, "Request for Return Receipt After Mailing", to the intended receiver's local post office. If post office provides POD and you cannot locate material, process a physical inventory loss. If the post office does not provide POD, process a shipment loss but do not file a Claim TDR as the post office will not accept liability.

06329 PREPARATION OF SF 361, TRANSPORTATION DISCREPANCY REPORT

PART I (RFI)

1. Date (Julian Date of TDR preparation)
2. Report Number
3. Carrier Name and Address
4. Reporting Activity
5. Consignor (Name/Address of issuing activity)
6. Consignee (name/address of intended receiver)
7. Shipper (same as block 5)
8. Carrier Routing and Identification
10. Carrier's Pro/Freight Bill No.
11. Destination (same as block 6)
12. Bill of Lading No./Type (Type is GBL or CBL)
13. Mode
14. Date Carrier Signed for Shipment
16. Date Discrepancy Discovered (date TDR process started)
20. Document No. (list all document numbers included in block 10 shipment)
21. NSN
22. Type of Pack (Appendix Z of reference (v)).
23. Quantity
24. Type and Cause Code (Appendix Z of reference (v)).
25. Unit of Issue
26. Units Shipped
27. Discrepant Units
28. Weight (total weight, if known)

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- 29. Value or Cost of Repair (extended standard price)
- 30. Remarks: "Provide hard copy POD for above NSNs. We show no evidence of receipt."
- 31a. Name of Preparer
- 31b. Title of Preparer
- 31c. Telephone No. (DSN and commercial)
- 31d. Signature

PART II (CLAIM)

- 35. Date (of TDR preparation)
- 36. Defense Finance and Accounting Service
Norfolk Operating Location (FTA)
9712 Virginia Avenue
Norfolk, VA 23511-3297
- 37. Responsibility: check CARRIER box
- 43. Remarks: "Carrier has not provided POD; we have not received material."
- 45a – 45d. Same as 31a-31d above.

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CHAPTER 7: QUALITY CONTROL PROGRAM

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CHAPTER 7

QUALITY CONTROL PROGRAM

Part A: ADMINISTRATION

Section I: GENERAL INFORMATION

07111 PURPOSE

1. The purpose of this chapter is to provide policy and guidance on the establishment of a quality control program as prescribed in reference (p) and the physical inventory objectives as contained in reference (a). The purpose of the program is to assist management in identifying those human, procedural, or system errors which adversely affect asset accuracy and in achieving better control over physical assets and warehousing practices.

07112 SCOPE

1. Portions of this program can be accomplished during ongoing practices within inventory processes. Those work processes directly related to the control of physical assets will be monitored to assure acceptable levels of performance. Accordingly, all quality control programs will ensure that warehousing, receiving, issuing, inventory, catalog practices, validity of automated data, and locator file updates are included in the program where applicable. This chapter does not apply to those sites operating under DSS.

07113 AUTHORITY

1. Oversight of the quality control program will be the responsibility of the Inventory Accuracy Officer (IAO). This provides authority that extends across departmental lines, direct access to the Commanding Officer either directly or on a dotted line matrix, and reduces duplicative effort in areas already established as IAO responsibilities.

Section II: PROGRAM IMPLEMENTATION

07121 GENERAL GUIDELINES

1. Pre-existing and automated reports should be used as much as possible to determine problem areas, sampling requirements and appropriate corrective measures. Continued command management emphasis and review of performance are essential for the success of the quality control program. Command managers must ensure effective organizational inter-relationships among the functional elements concerned with the physical inventory control program such as: comptroller, data systems, transportation, warehousing, maintenance, quality control, and supply management.

07122 ACCURACY GOALS

1. When quality control checks reveal that the level of accuracy for an operation does not meet a DOD and NAVSUP/NAVSEA prescribed accuracy goal, appropriate command corrective

action will be directed. Any reviews where no existing goal exists will be assigned an accuracy goal of 98%.

Section III: REVIEWS

07131 AREAS OF REVIEW

1. All quality control programs will ensure the following work processes are included if applicable. The areas for review will include, but are not limited to:

a. Warehousing practices: check of storage practices, stock rotation, shelf life, identification of material in storage, mixed stock, and location survey. Separate but identical quality checks will be made following any major rewarehousing projects.

b. Receiving practices: check of documentation, material identity, quantity, material supply condition code, processing timeliness, and verification of daily input data to the location system.

c. Issuing practices: check of legibility of issue documents, accuracy of stock selection as to identity, quantity, unit of issue, shelf life, supply condition code, type of pack (subsistence only), marking of outgoing shipments, and release to carriers.

d. Validity of automated data: check of receipt, issue, and adjustment transaction data entries against input documentation.

e. Inventory practices: check of inventory counts, location surveys, location reconciliation, causative research, unreconciled balances, in-transit material (SIT and MIT), incoming and outgoing supply discrepancy reports, backlogs in all areas mentioned above, and adjustments of both the ICP and storage activity.

f. Catalog practices: check of catalog change processing, using the affected recorded locations as the universe.

g. Locator file updates: check of accuracy of changes posted to the locator file (e.g., all additions, deletions, and changes of unit of issue, supply condition code, shelf life, etc.) at least monthly.

h. Inventory management: check proper dues management (i.e., ROD preparation, follow-ups), exception processing, excessing procedures, replenishment criteria and record maintenance.

2. Whenever possible, quality control checks of these work processes will include identification of the individual performing the tasks to provide a means to motivate improved individual performance.

07132 REVIEW REQUIREMENTS

1. Each area listed above requires a complete review on no less than an annual basis. The quality control program reviews may be combined with periodic reviews already established by the Inventory Accuracy Officer if they are sufficient to meet this requirement. Each review should include a statistically valid sample with selections based on reference (j).

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Detected problem areas should be reviewed more frequently until the causes of the problems have been identified and resolved.

07133 REPORTING REQUIREMENTS

1. A report on the quality control program will be included with the submission of the quarterly ICE report. The quality control program report should be an attachment, written in paragraph form, and should include an explanation of the areas where quality control reviews were performed, the accuracy rates of the areas reviewed, and corrective actions taken for those areas not meeting the required goal.

Part B: SAMPLING PLANS FOR PHYSICAL DISTRIBUTION FUNCTIONS

Section I: RECEIVING

07211 MATERIAL TO RECEIPT DOCUMENT

1. Purpose: to determine accuracy of received material and proper annotation of incoming receipt document.
2. Point of sample: all receiving areas. Select sample after receiving personnel have completed checking in material and prior to receipt documentation being input to receipt processing program.
3. Source of sample: DD Form 1348-1A, DD Form 250, packing slips, etc. and physical material.
4. Inspection checks include validating the following information from the receipt documentation to the material:
 - a. Unit of issue.
 - b. Quantity received correctly annotated on receipt (physical count required if not manufacturer sealed). (This check is not required for those activities who have elected to perform receipt count at stow and open shipping containers at the bin face instead of the receipt floor. Counts are required on the receiving floor for all contract/purchase receipts.)
 - c. NSN matches.
 - d. Condition code.
 - e. Material consigned to processing activity.
 - f. Document/contract numbers match (including suffix).
 - g. Physical condition.
 - h. Shelf life date valid.

07212 RECEIPT DOCUMENT TO RECEIPT FILE

1. Purpose: to determine the accuracy of posting receipt information to the receipt file.
2. Point of sample: after receipts are placed in process and entered at receipt processing terminals.
3. Source of sample: copies of receipt documents (DD Form 1348-1A, DD Form 250, packing slips, etc.) after input with Receipt Control Number (RCN) annotated.
4. Inspection checks include validating the following information from the receipt document to the Receipt Due File:

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- a. Correct RCN number.
- b. NSN matches.
- c. Condition code correct.
- d. Document number including suffix or contract number including contract line item number (CLIN) match.
- e. Quantity correct.
- f. Cog and fund code correct.
- g. Unit of issue matches.
- h. Material consigned to processing activity.
- i. Receipt in Receipt Due File.
- j. Correct discrepant code posted for discrepant receipt.
- k. ROD initiated (if required).
- l. Correct type of receipt (D6_/D4_) processed to record.

07213 MATERIAL MOVEMENT DOCUMENT (MMD) TO MATERIAL

1. Purpose: to determine accuracy of MMD to material.
2. Point of sample: at staging areas after MMD is attached to material but before consolidation of material for transportation to storage location.
3. Source of sample: MMDs attached to physical material.
4. Inspection checks include validating the following information from the MMD to the material in the location:
 - a. NSN matches.
 - b. Unit of issue is correct.
 - c. Condition code correct.
 - d. Document/contract number match (including suffix).
 - e. Correct handling of sensitive material as defined in reference a.

07214 STAGING FOR STORAGE

1. Purpose: to determine the accuracy of material segregated for transportation to storage.

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2. Point of sample: incoming receipt staging area for storage.
3. Source of sample: location on MMD.
4. Inspection checks include validating the following information on the MMD:
 - a. Quantity correct. (This check is not required for those activities who have elected to perform receipt count at stow and open shipping containers at the bin face instead of the receipt floor. Counts are required on the receiving floor for all contract/purchase receipts.)
 - b. Material delivered to proper warehouse or in proper individual staging area for warehouse. Classified/sensitive/pilferable material is designated for properly secured storage location.
 - c. NSN matches on material and document.
 - d. Condition code correct.

07215 MMD TO FILE

1. Purpose: to determine the accuracy of posting MMD information to the receipt file after adjusted stow.
2. Point of sample: completed MMD file after adjusted stow information is processed.
3. Source of sample: copies of completed MMDs with annotated changes (stow and storage control action).
4. Inspection checks include validating the following information from the adjusted stow MMD to the receipt control file.
 - a. Location changes, including adds and new locations posted correctly.
 - b. Unit of issue changes posted correctly.
 - c. Condition code changes posted correctly.
 - d. Quantity changes posted correctly.
 - e. NSN changes posted correctly.
 - f. MMD not processed or partially processed.

07216 MMD TO STORAGE LOCATION

1. Purpose: to determine accuracy of material stows and annotation of MMD.
2. Point of sample: MMD and material location indicated on MMD.

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3. Source of sample: copies of MMDs and material in location. A duplicate copy of MMD must be placed in the location or material must be marked with a unique identifier such as RCN in order to determine the accuracy of this function.
4. Inspection checks include validating the following information from the MMD to the material in the location:
 - a. Correct location annotated on MMD.
 - b. Material stowed in location annotated on MMD.
 - c. Security coded material in secure area.
 - d. Newly established locations have new bin or warehousing tag.

07217 MATERIAL RETURNS

1. Purpose: to determine accuracy of ready-for-issue (RFI) component returns from a depot repair facility.
2. Point of sample: receiving area for returns from a depot repair facility.
3. Source of sample: physical material and receipt documentation (DD Form 1348-1A, DD Form 250, attached cards/tags, etc.).
4. Inspection checks include validating the following information from the material to the attached documents:
 - a. NSN.
 - b. Condition code.
 - c. Document number.
 - d. Quantity.
 - e. Unit of issue.
 - f. Security code.

Section II: ISSUES

07221 ISSUE PROCESSING

1. Purpose: to determine the accuracy of physical material issues against issue documents.
2. Point of sample: bin/bulk issue areas where material has been selected and placed in tote box, tray, open container or pallet. Select sample prior to completion of packing and shipping and after document has been completed by the stock picker.

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3. Source of sample: DD Form 1348-1A/IRRD (Issue Receipt Release Document) and physical material.
4. Inspection checks include validating the following information on the DD Form 1348-1A/IRRD to the physical material:
 - a. Unit of issue.
 - b. Document NSN matches material NSN.
 - c. Quantity correct.
 - d. Condition code correct.
 - e. Shelf life expiration date acceptable.
 - f. Security code correct.
 - g. Over or under issue quantity indicated due to standard pack, length, weight, etc. (Ensure copy of documentation has been pulled and forwarded for stock records update).
 - h. Signature service material properly labeled and issue document contains signature service stamp.

07222 MATERIAL PACKING

1. Purpose: to determine if material placed in single item and multipack containers is properly packed and prepared for shipment.
2. Point of sample: shipping or packing area.
3. Source of sample: proper packaging will normally be determined by visual inspection on the outside of the container. Packaging may also be inspected before container is sealed. Containers may be opened if there is an indication that the items may not be properly packed.
4. Inspection checks include validating the following:
 - a. Item properly packed, preserved, and sealed.
 - b. All documents are for one customer.
 - c. Compatible materials (hazardous materials properly consolidated).
 - d. Appropriate action taken for signature service material.
 - e. Proper address on container.
 - f. Hazardous material certified and packed properly.
 - g. Security coded material properly marked and packed.

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- h. Validate correct mode of shipment based on priority, project code, and type of material.

07223 REPAIRABLE INDUCTIONS

1. Purpose: to determine accuracy of not-ready-for-issue (NRFI) material issued to a repair facility for induction.
2. Point of sample: staging area for delivery to a depot repair facility
3. Source of sample: documents and physical material.
4. Inspection checks include validating the following information from the issue document to the material:
 - a. Unit of issue.
 - b. Quantity.
 - c. Condition code.
 - d. NSN.
 - e. Security code.
 - f. Nomenclature.

07224 MATERIAL DELIVERY

1. Purpose: to determine that material is correctly consigned and delivered to customer delivery sites.
2. Point of sample: customer delivery sites/staging areas.
3. Source of sample: documentation and physical material.
4. Inspection checks include validating the following:
 - a. Address and consignment staging area for material against material address label.
 - b. Proof of shipment (POS) copy pulled for update.
 - c. Appropriate action taken on signature service material.
 - d. Classified/sensitive material processed correctly.

Section III: STORAGE FUNCTIONS

07231 CHANGE NOTICE ACTIONS

1. Purpose: to determine if change notice actions requiring changes to physical material and/or bin markings have been accomplished.

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2. Point of sample: deck of warehouse notification cards or listing of change notice actions generated.
3. Source of sample: warehouse notification of change notice action on unit of issue, shelf life, NSN, type pack, and security classification changes and material and bin markings.
4. Inspection checks include validating the material and bin markings against the warehouse notification cards/change notice listings:
 - a. Unit of issue.
 - b. Shelf life.
 - c. National Item Identification Number (NIIN)
 - d. Type pack.
 - e. Security code change including relocation as required.
 - f. Material content code.
 - g. Physical inventory and appropriate record adjustment completed on item changed from unclassified to classified or classified item changed to higher classification.

07232 SHELF LIFE

1. Purpose: to determine that the control and surveillance of limited shelf life items in storage is being accomplished.
2. Point of sample: Physical location of shelf life material in warehouse.
3. Source of sample: quarterly ZSG (UADPS) listing of limited shelf life items and location of each item.
4. Inspection checks include validating serviceability standards against physical material:
 - a. Control date, expiration date, or extended expiration date, etc. shown on material.
 - b. Condition code shown on material compatible with control date and expiration date.
 - c. Life expectancy of material in stock has not expired.
 - d. Data submitted to inventory manager for change in condition code.
 - e. Testing accomplished on extended shelf life items.
 - f. Condition code on material matches condition code of stock record.

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07233 LOCATION CHANGES/DELETIONS

1. Purpose: to determine accuracy of location changes posted to the stock record and/or manual locator for classified material as a result of individual warehouse actions and major re-warehousing projects (ZEL, ZSF, ZSV).
2. Point of sample: at the point where location changes are processed. Sample will be selected from both CRT and write-ups after location change is posted to stock record.
3. Source of sample: location changes, adds, and deletions.
4. Inspection checks include validating the following information:
 - a. Correct NSN on bin at new location.
 - b. Stock stored at new location.
 - c. All transferred stock removed from old location.
 - d. Correct physical security code.
 - e. ZSV (record deletes) and ZSF (location change notification card) locations checked.
 - f. Correct location posted to/deleted from stock record.

Section IV: TRANSPORTATION

07241 INCOMING TRANSPORTATION

1. Purpose: to determine accuracy of transportation units received and proper annotation of bill of lading/transportation document.
2. Point of sample: as material is offloaded, after initial verification by receiving personnel but prior to movement to "Material to Receipt Document" checkpoint.
3. Source of sample: line items on bill of lading and transportation/shipments units.
4. Inspection checks include validating the following:
 - a. Number of individual pieces (packages, boxes, etc.) per transportation/shipment unit matches documentation.
 - b. Number of transportation/shipment units matches documentation.
 - c. Bill of lading annotated with discrepancy data.
 - d. Seal number validated on bill of lading.

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07242 OUTGOING TRANSPORTATION

1. Purpose: to determine if carrier documentation is properly prepared for outgoing shipments and transportation unit description matches material to be transported.
2. Point of sample: shipping floor after material is prepared and awaiting transportation.
3. Source of sample: line items on bill of lading and transportation/shipping units.
4. Inspection checks include validating the following:
 - a. Number of individual pieces (packages, boxes, etc.) per transportation/shipping unit annotated on bill of lading and matches bill of lading.
 - b. Number of transportation/shipping units annotated on bill of lading and match bill of lading.
 - c. Material and documentation properly identified according to specific commodities (i.e., hazardous material, security coded material, signature service, etc.).
 - d. Item properly packed/protected-other than (c) above.
 - e. Consignee on label same as consignee on bill of lading.

07243 PROOF OF SHIPMENT

1. Purpose: to determine if proper POS information is posted to the requisition status file.
2. Point of sample: all POS processing points.
3. Source of sample: DD Form 1348-1A/IRRD.
4. Inspection checks include validating the requisition status file to ensure the following information matches the document:
 - a. Date shipped.
 - b. Mode of shipment.
 - c. Traceable shipment number (GBL, TCN, UPS registry, etc.).
 - d. POS is posted.

Section V: ATAC PROCESSING

07251 ATAC RECEIVING

1. Purpose: to determine accuracy of the ATAC receiving function.
2. Point of sample: in-screening/contractor area, on pallets, before material is placed on conveyor.

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3. Source of sample: receipt documents, contractor manifest, barcode labels and material.
4. Inspection checks include validating the following:
 - a. Barcode label attached.
 - b. Manifest matches material.
 - c. NSN correct on barcode label.
 - d. Material quantity matches receipt document.
 - e. Receipt document number correct on barcode label.
 - f. Condition code is "F".
 - g. Box/package not opened (must be opened).

07252 ATAC SCREENING

1. Purpose: to determine accuracy of the ATAC screening function.
2. Point of sample: after material has been screened, before MRIL processing.
3. Source of sample:
 - a. Fast screen: Integrated Logistic Support (ILS) printout, unserviceable (repairable) label, DD Form 1577-2, barcode label, receipt document, material and screener number ID sticker.
 - b. Intermediate screen: ILS printout, microfiche, technical publications, unserviceable (repairable) label, DD Form 1577-2, barcode label, receipt document, material, MRIL and screener number ID sticker.
 - c. Deep screen: microfiche, technical publications, unserviceable (repairable) label, DD Form 1577-2, barcode label, receipt document, material, MRIL ICP disposition instructions and screener number ID sticker.
4. Inspection checks include validating the following:
 - a. ILS printout matches receipt document and material.
 - b. Unserviceable (repairable) label, DD Form 1577-2 barcode label matches documentation and material.
 - c. Data extracted correctly from microfiche and technical publications (for intermediate and deep screen only).
 - d. Information obtained from ICP recorded correctly (for deep screen only).

07253 ATAC MRIL PROCESSING

1. Purpose: to determine accuracy of the ATAC MRIL processing.

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2. Point of sample: after MRIL processing and output documentation has been matched with material, before packing.
3. Source of sample: receipt document, MMD, BC2, BGJ, and material.
4. Inspection checks include validating the following:
 - a. Condition code is "F".
 - b. NSN correct.
 - c. Quantity correct.
 - d. Document number correct.
 - e. Security code correct.

07254 ATAC PACKAGING

1. Purpose: to determine accuracy of the ATAC packing function.
2. Point of sample: after material has been packed, before staging for delivery/shipping.
3. Source of sample: receipt document, material, MMD, BC2, BGJ, HUB green and white tape and barcode label.
4. Inspection checks include validating the following:
 - a. Ensure proper method of packing is accomplished.
 - b. HUB green and white tape/barcode label on material.
 - c. Ensure that the documentation (BC2, MMD, BGJ) matches the item packed.

07255 ATAC STAGING FOR DELIVERY/SHIPMENT

1. Purpose: to determine accuracy of the ATAC staging function.
2. Point of sample: after material has been packed and has been staged for delivery/shipment.
3. Source of sample: on pallets and in tri-walls.
4. Inspection checks include validating the following:
 - a. Ensure that material is sorted by storage location/destination.
 - b. Ensure that contractor ships the material (BC2) within a 24 hour period.
 - c. Ensure that the contractor enters all appropriate data into the custody transfer data base and that the data record reflects all outbound shipments.

Part C: SAMPLING PLANS FOR PHYSICAL INVENTORY FUNCTIONS

Section I: LOCATION AUDIT

07311 LOCATION SURVEYS

1. Purpose: to determine if location surveys are being conducted as prescribed in Chapter 3.
2. Point of sample: locations in the warehouse or magazine site.
3. Source of sample: completed location survey cards/listings, or RTIC printouts and physical locations. Fifty percent of the sample should consist of bin to stock record checks. The sample should be taken within one day after cards/listings or RTIC printouts become available.
4. Inspection checks include validating the following:
 - a. Data checks between location survey cards/listings or RTIC printouts and material.
 - (1) NSN
 - (2) Location
 - (3) Unit of issue
 - (4) Condition code
 - (5) Lot number/serial number (if applicable)
 - (6) Material on record indicator correct
 - (7) Security code
 - b. Storage discrepancies.
 - (1) Unidentified stock
 - (2) Material in unrecorded location

07312 LOCATION RECONCILIATIONS

1. Purpose: to determine accuracy of location reconciliations between the storage activities and the owners of the material.
2. Point of sample: the NAVICP and the Navy owned/operated storage activities after DZHs have been submitted to the NAVICP from the storage activities.
3. Source of sample: error code listings/report provided by the NAVICP to the storage activities, MSIR records, and UICP records.
4. Inspection checks by the storage activity include validating the following:

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- a. A DZH was sent to the NAVICP for each MSIR record, including zero balances and was sent in accordance with the NAVICP's schedule or special request.
 - b. Appropriate actions were taken to resolve discrepancies based on the error code listing/report provided by the NAVICP.
 - c. All DZB/DZG transactions were researched and resolved within a timely manner by the storage activity.
5. Inspection checks by the NAVICP include validating the following:
- a. All DZHs were processed within one week of being received.
 - b. Error code listings/reports were provided to each storage activity as appropriate.
 - c. Appropriate actions were taken to resolve discrepancies between the storage activity record and the UICP record.
 - d. Make appropriate adjustments to NAVICP records, as required, upon completion of research.
 - e. All classified/sensitive item discrepancies are researched and resolved. If not resolved, a MLSR must be completed by the storage activity or the NAVICP.
 - f. An annual location reconciliation was performed for all NAVICP owned/managed material with the appropriate storage activities.

Section II: PHYSICAL INVENTORY

07321 PHYSICAL INVENTORY COUNTS

1. Purpose: to validate the accuracy of the physical inventory counts.
2. Point of sample: physical locations where inventory count has been conducted. Sample should be taken within one day after completed cards or RTIC reports are available.
3. Source of sample: physical locations and completed count cards or RTIC reports.
4. Inspection checks include validating the following:
 - a. Quantity counted and written on count card or provided in RTIC agrees with quantity on hand in the location. Note: Personnel performing counts will not have access to, or obtain record balances prior to performing counts.
 - b. NSN.
 - c. Unit of issue.
 - d. Stock location.

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- e. Condition code
- f. Serial/lot number (if applicable).
- g. Security/pilferage code.
- h. Count was input correctly into RTIC.
- i. Count multiplied by the unit of issue equals correct extended value in RTIC.

07322 PHYSICAL INVENTORY ADJUSTMENTS

1. Purpose: to determine the accuracy and completeness of manual review package adjustments.
2. Point of sample: a printout of all physical inventory adjustments (ZAT/ZAS) processed to the storage activity record.
3. Source of sample: all manual review package physical inventory adjustments after completion by adjustment clerk.
4. Inspection checks include validating the following:
 - a. Count multiplied by the unit price for correct extended value.
 - b. In-process transactions considered properly in adjusting count quantity and comparing to actual cutoff balance.
 - c. Adjustment correctly coded.
 - d. Adjustment input correctly.
 - e. Reversal quantity less than or equal to original adjustment quantity.
 - f. Appropriate reversal approval obtained.

07323 CAUSATIVE RESEARCH

1. Purpose: to determine the accuracy, timeliness and completeness of causative research and adjustment reversal actions.
2. Point of sample: file of completed causative research packages.
3. Source of sample: causative research and adjustment reversal actions resulting from scheduled and unscheduled inventories.
4. Inspection checks include validating the following:
 - a. Transaction History causative research conducted back one year, date of last inventory (whichever is the most recent) or back two years for adjustments greater than \$100,000 to determine error cause.

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- b. Cause of error identified and appropriate action taken.
- c. Copies of supporting documentation for error correction.
- d. Adjustment document reversed if warranted.
- e. Proof of completed adjustment action.
- f. Appropriate approval signature based on dollar value of adjustment.
- g. Financial Liability Investigation of Property Loss (FLIPL) or MLSR report initiated when required.
- h. Proper adjustment research code used.

07324 UNRECONCILED BALANCES AT FISCs/PARTNER SITES

1. Purpose: to determine the accuracy of resolving and processing unreconciled balances at the storage activities between DSS and UADPS.
2. Point of sample: FISCs/partner sites.
3. Source of sample: UADPS Application O reports and URB tracking database.
4. Inspection check include validating the following:
 - a. Proper database is being utilized to track URBs processed and those still outstanding.
 - b. Each URB is properly researched and resolved, including posting the appropriate transaction and adjustment reversal(s) as required.
 - c. Ensure all systems problems have been reported to appropriate organization.
 - d. All UADPS End of Day File (UEDF) records are deleted from the file when necessary.
 - e. Validate all ZAT reversals are correctly input, paying particular attention to the origin code.
 - f. Validate that the ZAT is reversed the same day as the missing transaction is posted or when any system/process problem(s) is/are resolved.
 - g. Received correct DZH balances from DSS at end of day.
 - h. Validate that all UCEPS exceptions were worked in a timely manner to avoid URBs. When a URB occurred because of a delayed, deleted, or omitted exception being worked, validate that the ZAT was reversed the same day the exception was processed.

07325 UNRECONCILED BALANCES AT NAVICP

1. Purpose: to determine the accuracy of researching and resolving URBs at the NAVICP.

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2. Point of sample: NAVICP.
3. Source of sample: UICP transaction history file, TLOD (UADPS), CAV, DSS transaction history.
4. Inspection checks include validating the following:
 - a. Received and processed DZH transactions from storage activities.
 - b. Determined if URB is on a classified/sensitive item. If so, validate that the URB was researched and resolved, regardless of dollar value.
 - c. URBs that are automatically adjusted within the timeframe specified in Chapter 4 are all less than \$2,500 or in accordance with business plan.
 - d. All balance affecting exceptions in UICP are worked in a timely manner.
 - e. All URB reports are submitted to NAVSUP as required by Chapter 4.

07326 STOCK IN TRANSIT (NAVICP)

1. Purpose: to determine the accuracy of tracking Navy wholesale stock in transit/material in transit.
2. Point of sample: NAVICP
3. Source of sample: SITNET reports, UICP transaction history file, PX06/MFCS.
4. Inspection checks include validating the following:
 - a. ICP
 - (1) All classified items shipped were received or a MLSR report was provided within the timeframes specified in Chapter 6.
 - (2) Appropriate transactions taken to correct the problem based on information provided?
 - (3) Systems checks were completed to determine if a system problem existed that prevented the processing of a SITROD.
 - (4) Results of SITROD responses were analyzed to determine causes and corrective and preventative action taken.
 - (5) AIMS errors were worked and corrective/preventative action taken.
 - b. Field activities.
 - (1) SITRODs worked within timeframes.
 - (2) Monthly reports analyzed to determine, correct and prevent problem.

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(3) MLSRs provided to NAVSUP for any classified items processed as lost in inventory/shipment.

07327 SUPPLY DISCREPANCY REPORTS

1. Purpose: To determine the accuracy of processing both incoming and outgoing SDRs properly.
2. Point of Sample: Field activities such as stock points or receiving activities.
3. Source of sample: SDR program/reports or other databases used to manage SDRs.
4. Inspection checks include validating the following:
 - a. All classified items were resolved timely or MLSRs completed.
 - b. All SDRs were worked within timeframes.
 - c. SDR reports were used to determine, correct and prevent problems.
 - d. Transactions processed to correct the SDR were accurate and complete.

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CHAPTER 8: SPECIAL REPORTING REQUIREMENTS

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CHAPTER 8

SPECIAL REPORTING REQUIREMENT

Part A: INVENTORY CONTROL EFFECTIVENESS REPORT

Section I: INSTRUCTIONS FOR GENERAL SUPPLIES

08111 GENERAL

1. Per reference (a), each DOD Component will prepare a DD Form 2338 Inventory Control Effectiveness Report for each quarterly period ending December 31, March 31, June 30, and September 30 for all general supply material for which the component storage activity has custody. Navy owned storage activities will provide appropriate data to NAVICP Code M01332 no later than 30 days following the end of each quarter.
2. FISC RIAOs are responsible for ensuring this data is submitted for all partner sites. Beginning in FY2001, FISCs will be able to capture this data for their partner sites via the Fleet Industrial Support Center Management Information System (FISCMIS). Until then, the FISCs must produce a separate summary report (DD-M (Q) 935) for each partner site. FISCs must also ensure that end of day adjustment data is provided for each quarter for the FISC main site and for the OCONUS partner sites under DSS.
3. Location survey data can be obtained from RTIC reports for those storage activities using RTIC to perform location surveys. Storage activities not using RTIC to perform location surveys must provide the data from manual reports. Partner sites must provide appropriate location survey reports (RTIC or manual) to the RIAO within two weeks following the end of each quarter.
4. NAVICP will provide all location reconciliation data required for any location reconciliations completed during the report quarter.
5. All reporting activities will provide a written analysis of their respective data identifying trends, accomplishments, significant comments on internal system performance, description of problems, actions in process or taken to correct the problem and "get-well" dates if the problem is not corrected by the time the ICE Report is submitted. Problems in reporting ICE data should also be highlighted in the ICE Report until the problem(s) is corrected.
6. ICE report data should reflect inventory control performance of all Navy wholesale and retail supply system material less all material exclusions listed in reference (n).
7. NAVSUP will submit an original and one copy to: Defense Logistics Management Standards Office, Attn: DLMSO Room 1833, 8725 John J. Kingman Road, Suite 2533, Ft. Belvoir, VA 22060-6221 not later than 75 calendar days following the end of the reported quarter. The above reporting requirement has been assigned Report Control Symbol DD-P&L(Q)935.

08112 ICE REPORT PREPARATION INSTRUCTIONS FOR GENERAL SUPPLIES

1. The following instructions are provided for preparing the Inventory Control Effectiveness Report.
2. Report Heading/Columns
 - a. Reporting Organization. Enter the name of the reporting activity.
 - b. Quarter Ending. Enter the applicable fiscal quarter; 1st, 2nd, 3rd, or 4th. Data entered for the report lines and sub-columns under this column heading reflect only activity occurring during the applicable quarter.
 - c. Fiscal Year to Date. Enter the applicable fiscal year.
 - d. Columnar Entries. Data entered for the report lines and sub-columns under this column heading reflect cumulative fiscal-year to-date activity.
3. Part I: Performance
 - a. Materiel Release Denials (data provided by NAVSUP)
 - (1) Lines Directed for Shipment. Enter the total number of line items directed for shipment (A5_MRO, A5J DRO, A4_referral order).
 - (2) Total Materiel Release Denials. Enter the total materiel denials (sum of total and partial denials, and warehouse refusals). Include denial transactions classified by denial Management Codes 1 through 9 in the total.
 - (3) Materiel Denial Rate. Compute this figure by dividing the total denials by the line items directed for shipment and multiplying by 100. The Navy performance goal for the materiel release denial rate is not greater than one percent.
 - b. Receipt Processing Performance (data provided by NAVSUP)
 - (1) Receipts Stored and Posted. Enter the total number of line item receipts stored and posted to the total item property record.
 - (2) Receipts Stored and Posted On Time. Enter the total number of line item receipts which were effectively stored and posted within the MILSTRAP timeframes. Both storing and posting actions are considered complete when the item is in the storage location, or available for issue, and the quantity is posted to the total item property record.
 - (3) On Time Receipt Rate. Compute this figure by dividing the total number of receipts stored and posted on time by the total number of receipts and multiplying by 100. The Navy performance goal for storing and posting receipts on time is 100 percent within one day.

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c. Location Audit Program. Reflects the results of the location survey (ration of accurate storage activity locator records to storage activity locations surveyed) and the location reconciliation (ratio of valid storage activity location records to inventory manager's records).

(1) Locations Surveyed. Enter the number of storage activity locations surveyed. (The storage activity will provide this data.)

(2) Survey Errors. Enter the total number of location discrepancies (report only one error per stock number per location). (The storage activity will provide this data.)

(3) Survey Accuracy. Compute this figure by dividing the locations with discrepancies by the total locations surveyed multiplying by 100, and subtracting the result from 100 percent. The Navy goal for location survey accuracy is 98 percent.

(4) Locations Reconciled. Enter the total number of location records reconciled (i.e., the sum of line items on the Inventory Manager's record and line items which were not on the Inventory Manager's record but were on the storage activities' records). (NAVICP will provide this data.)

(5) Reconciliation Errors. Enter the total number of discrepant location records (count one error per location reconciliation request (line item) or unmatched Inventory Manager's record). (NAVICP will provide this data.)

(6) Reconciliation Accuracy. Compute this figure by dividing the number of discrepancies by the number of records reconciled, multiplying by 100, and subtracting the result from 100 percent. The Navy goal for location reconciliation accuracy is 98 percent.

4. Part II: Physical Inventory Adjustments (the data for this part will be provided by all Navy storage activities not operating under the Distribution Standard System (DSS) unless otherwise noted.)

a. Physical Inventories

(1) Number of Scheduled and Unscheduled Inventories Completed. Enter the total number of line items inventoried (scheduled and unscheduled). Each supply condition code for a stock number at each storage activity is a line item.

(2) Number of Inventories with Variances. Enter the total number of line items inventoried (scheduled and unscheduled) which had an inventory variance.

(3) Inventory Variance Rate. Reflects the percent of line items inventoried which had an inventory variance. Compute this figure by dividing the lines with an inventory variance by the total line items inventoried and multiplying by 100. The Navy overall record accuracy goal for general supplies is 98 percent.

(4) Number of Inventories with Major Variances. Enter the total number of line items inventoried (scheduled and unscheduled) which had a major inventory variance (overage or

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shortage exceeding \$5,000 and all variances on controlled items.)

(5) Major Variance Rate. Reflects the percent of line items inventoried which had major variances. Compute this figure by dividing the lines with a major inventory variance by the total line items inventoried and multiplying by 100. Then subtract the result from 100. When the major variance rate exceeds ten percent, a narrative explanation of causes and corrective actions is required.

b. Number of Inventory Adjustments from Other Than Physical Inventory

(1) Location Reconciliation. Enter the number of location reconciliation adjustments (DI Code C8A/C9A, Fund Code 7D). (This data provided by NAVICP.)

(2) End of the Day Processing. Enter the number of end of the day processing adjustments (DI Code D8B/D9B, Fund Code 7H). (This data provided by Navy activities operating under DSS.)

(3) Total. Absolute total of adjustments from other than physical inventories.

c. Total Adjustments. Enter the sum of number of inventories with variances and the number of adjustments from other than physical inventories.

d. Number of Reversals of Inventory Adjustments

(1) Number of Gain Reversals. Enter the number of gain reversals of inventory adjustments.

(2) Number of Loss Reversals. Enter the number of loss reversals of inventory adjustments.

(3) Total. Absolute total of inventory reversals (gains and losses).

e. Monetary Value (\$000)

(1) Average Value of Inventory. Enter the average value of on-hand assets as reflected on financial records for the 12 months prior to the report cutoff date (i.e., current quarter plus last three quarters).

(2) Record Value of Items Inventoried. Enter the extended value prior to actual inventory of line items inventoried (scheduled and unscheduled) during the reporting period.

(3) Value of Inventory Adjustments

1. Physical Inventory Adjustments

a. Gains. Enter monetary value of gains resulting from inventory less the monetary value of gain reversals (from current and prior quarters) processed during the report period.

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b. Losses. Enter monetary value of losses resulting from inventory less the monetary value of loss reversals (from current and prior quarters) processed during the report period.

c. Gross Adjustments. Net gains less net losses

2. Reversals --Current Quarter

a. Gains. Enter the total monetary value of decreases to the record balances as a result of reversing gain adjustments processed during the reporting period. Compute the FY to Date value for reversal of current quarter gains by adding the Quarter ending value for reversal of current quarter gains to the prior quarter FY to Date value of reversal of current quarter gains.

b. Losses. Enter total monetary value of increases to the record balances as a result of reversing loss adjustments processed during the reporting period. Compute the FY to Date value for reversal of current quarter losses by adding the Quarter ending value for reversal of current quarter losses to the prior quarter FY to Date value for reversal of current quarter losses.

c. Total. Absolute total of reversals of current quarter gains and losses.

3. Reversals -- Prior Quarters

a. Gains. Enter total monetary value of gain reversals reported in prior quarters. Compute the FY to Date value by adding the current quarter gain reversals to the prior quarter gain reversals.

b. Losses. Enter total monetary value of loss reversals reported in prior quarters. Compute the FY to Date value by adding the current quarter loss reversals to the prior quarter loss reversals.

c. Total. Absolute total of reversals of prior quarter gains and losses.

4. Total Reversals. The total of reversals of current quarter and prior quarter gains and losses.

5. Total Record Imbalances. The total of gross adjustments and total reversals.

f. Gross Adjustment as a Percent of:

(1) Average Value of Inventory. Divide the total value of gross adjustments by the average value of inventory and multiply by 100.

(2) Value of Items Inventoried. Divide the total value of gross adjustments by the record value of items inventoried and multiply by 100.

g. Total Record Imbalances as a Percent of:

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(1) Average Value of Inventory. Divide the value of the total record imbalances by the average value of inventory.

(2) Value of Items Inventoried. Divide the value of the total record imbalances by the record value of items inventoried.

h. Monetary Value of Location Reconciliation (this data provided by NAVICP)

(1) Value of Line Items Reconciled. Enter the extended value of line items reconciled during the reporting period.

(2) Value of Gains. Enter the monetary value of gains resulting from reconciliation during the period.

(3) Value of Losses. Enter the monetary value of losses resulting from reconciliation during the period.

(4) Total. Absolute total of location reconciliation gains and losses.

i. Monetary Value of End of the Day Processing (This data to be provided by Navy sites operating under DSS.)

(1) Value of Gains. Enter the value of gains resulting from end of the day processing.

(2) Value of Losses. Enter the value of losses resulting from end of the day processing.

(2) Total. Absolute total of end of day processing gains and losses.

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Section II: ICE REPORT FORMAT

INVENTORY CONTROL EFFECTIVENESS (ICE) REPORT

GENERAL SUPPLIES

REPORTING ORGANIZATION _____

PART I. PERFORMANCE

QUARTER ENDING

FY__ TO DATE

1. MATERIEL RELEASE DENIALS

A. LINES DIRECTED FOR SHIPMENTS _____

B. TOTAL MATERIEL RELEASE DENIALS _____

C. MATERIEL DENIAL RATE ((1B/1A)X100) _____

2. RECEIPT PROCESSING

A. RECEIPTS STORED AND POSTED _____

B. RECEIPTS STORED AND POSTED ON TIME _____

C. ON TIME RECEIPT RATE ((2B/2A)X100) _____

3. LOCATION AUDIT PROGRAM

A. LOCATION SURVEYED _____

B. SURVEY ERRORS _____

C. SURVEY ACCURACY (100-((3B/3A)X100) _____

D. LOCATIONS RECONCILED _____

E. RECONCILIATION ERRORS _____

F. RECONCILIATION ACCURACY _____

(100-((3E/3D)X100) _____

PART II. PHYSICAL INVENTORY ADJUSTMENTS

1. PHYSICAL INVENTORIES

A. NO. OF SCHEDULED AND UNSCHEDULED
INVENTORIES COMPLETED _____

B. NO. OF INVENTORIES WITH VARIANCES _____

C. INVENTORY VARIANCE RATE _____

((1B/1A)X100) _____

D. NO. OF INVENTORIES WITH MAJOR VARIANCES _____

(>\$5000) _____

E. MAJOR VARIANCE RATE ((1D/1A)X100) _____

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- 2. NO. OF INVENTORY ADJUSTMENTS FROM OTHER THAN PHYSICAL INVENTORY**
 - A. LOCATION RECONCILIATION** _____
 - B. END OF DAY PROCESSING** _____

- C. TOTAL (2A+2B)** _____
- 3. TOTAL ADJUSTMENTS (1B+2C)** _____
- 4. NO. OF REVERSALS OF INVENTORY ADJUSTMENTS**
 - A. NO. OF GAIN REVERSALS** _____
 - B. NO. OF LOSS REVERSALS** _____
 - C. TOTAL (4A+4B)** _____
- 5. MONETARY VALUE (\$000)**
 - A. AVERAGE VALUE OF INVENTORY** _____
 - B. RECORD VALUE OF ITEMS INVENTORIED** _____
 - C. VALUE OF INVENTORY ADJUSTMENTS**
 - (1) PHYSICAL INVENTORY ADJUSTMENTS**
 - (A) GAINS** _____
 - (B) LOSSES** _____
 - (C) GROSS ADJ (5C(1)(A)+5C(1)(B))** _____
 - (2) REVERSALS - CURRENT QUARTER**
 - (A) GAINS** _____
 - (B) LOSSES** _____
 - (C) TOTAL (5C(2)(A)+5C(2)(B))** _____
 - (3) REVERSALS-PRIOR QUARTER**
 - (A) GAINS** _____
 - (B) LOSSES** _____
 - (C) TOTAL (5C(3)(A)+5C(3)(B))** _____
 - (4) TOTAL REVERSALS (5C(2)(C)+5C(3)(C))** _____
 - (5) TOTAL RECORD IMBALANCES (5C(1)(C)+5C(4))** _____
- 6. GROSS ADJUSTMENT AS A PERCENT OF**
 - A. AVERAGE VALUE OF INVENTORY (5C(1)(C)/5A)X100** _____
 - B. VALUE OF ITEMS INVENTORIED (5C(1)(C)/5B)X100** _____
- 7. TOTAL RECORD IMBALANCES AS A PERCENT OF**
 - A. AVERAGE VALUE OF INVENTORY (5C(5)/5A)X100** _____
 - B. VALUE OF ITEMS INVENTORIED (5C(5)/5B)X100** _____

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8. MONETARY VALUE OF LOCATION RECONCILIATION

A. VALUE OF ITEMS RECONCILED

B. VALUE OF GAINS

C. VALUE OF LOSSES

D. TOTAL (8B+8C)

9. MONETARY VALUE OF END-OF-DAY PROCESSING

A. VALUE OF GAINS

B. VALUE OF LOSSES

C. TOTAL (9A+9B)

(RCS DD-P&L(Q)935)

Part B: NAVSUP FORM 1144

Section I: INSTRUCTIONS

08211 SECTION 1 - MATERIAL AVAILABILITY

1. Section 1 of NAVSUP Form 1144 provides for the reporting by cognizance symbol of items of management data designed to evaluate the reporting activity's stock position in terms of availability of standard system stock material, and to furnish cognizant inventory managers, NAVSUP and logistic commanders with data necessary for evaluating the supply support effectiveness of the various segments of the Navy Supply System. All reporting items prescribed in this section will reflect material availability at the time of the initial processing of material request documents (including allowance and load lists, or equivalents, processed for issue action) for determination of supply action to be taken by the reporting activity. Planned requirements will be included only when released.

a. Line 1, Total Material Requests - Line Items. Enter the total number of line items on request documents processed by the stock control component during the reporting period for initial determination of supply action to be taken. This item includes total requests for standard and nonstandard stock items processed by the reporting activity and will equal the sum of lines 2 and 3.

b. Line 2, Material Requests Excluded from Further Computations. Enter the total number of requests (line items) which will be excluded from all remaining lines and computations in Section 1 (lines 3 through 11). Line 2 will include:

- (1) cancel/reject requests;
- (2) requests for condemned items;
- (3) nonstandard stock item requested;
- (4) terminal items when stocks are depleted;
- (5) attrition items;

(6) controlled material which cannot be released without approval of the cognizant manager. (When release authority is granted, count as a demand in line 3 and as an issue in line 7 or not in stock in line 6, as appropriate).

c. Line 3, Material Requests for Standard Stock Items. Enter the total number of line items on material requests for standard system stock items processed during the reporting period. Standard stock includes all stock items assigned stock numbers within the framework of the Federal Supply Classification System. This item will equal the sum of lines 4 and 5.

d. Line 4, Standard Stock Items Not Carried (NC). Enter the total number of line items on

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demand requests for standard stock items not normally carried in stock by the reporting supply activity, as indicated by the absence of a stock record. This item includes NC line items for which one of the following stock actions was taken during the reporting period:

- (1) referred to another supply distribution activity for issue action;
- (2) referred to the cognizant supply manager for determination of supply action;
- (3) local procurement;
- (4) canceled (requesting activity notified that no supply action is being taken);
- (5) misdirected referral orders returned to an inventory manager.

e. Line 5. Net Material Requests for Standard Stock Items. Enter the difference between total customer material requests for standard system stock items and requests for not carried items; i.e. line 3 minus line 4. This difference represents material requests for standard system items which the reporting supply activity could be expected to have in stock in sufficient quantities to satisfy material requests and includes controlled material demands forwarded by an inventory manager for issue.

f. Line 6. Standard Stock Items Not in Stock (NIS). Enter the total number of line items on material requests for standard stock items normally carried by the reporting supply activity, as indicated by the presence of a stock balance card, for which stock levels were inadequate to effect issue from stock on hand of the total quantity requested at the time of initial processing of the request document. This item includes NIS line items for which one of the following supply actions was taken during the reporting period:

- (1) backordered against expected receipts (dues), excluding backorders established for partial quantities already counted as a warehouse refusal (applies to locally managed items only);
- (2) referred to another supply distribution activity for issue action;
- (3) referred to the cognizant supply manager for determination of supply action to be taken;
- (4) local procurement;
- (5) canceled (requesting activity notified that no supply action is being taken);
- (6) warehouse refusals, total or partial quantity, returned for correction of stock records (total quantity corrections to be deleted from line 7);
- (7) referred to an Integrated (DLA, GSA, TACOM) Interservice Manager;

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(8) expeditious repair action taken by local decision-failure to repair will result in an A4_, but not an additional demand.

g. Line 7, Issue of Standard Stock Items. Enter the total number of line items on demand requests issued to the SERVMART and on demand requests for standard stock items posted to the stock records for immediate issue of all or part of the total quantity requested (including authorized substitutions) from stock on hand at the time of the initial processing of the request document. Line 7 will include:

- (1) issues to activity shop stores;
- (2) issues to ready supply stores;
- (3) issues from auxiliary stores;
- (4) issues to SERVMARTS;
- (5) issues for repair parts set breakdown/buildup projects;
- (6) issues for advance base component assembly;
- (7) issues for manufacturing programs;
- (8) issues for overhaul and repair of equipment in store;
- (9) issues for Government Furnished Material to private contractors;
- (10) issues to fleet ships;
- (11) released planned requirements;
- (12) issues of fixed allowance material.

NOTE: The above reflects that where various activity stores are involved, only those demands/issues which are posted to the activity's stock record will be used in determining the activity's various availability's. This item excludes the following issue transactions:

- (1) issues from activity shop stores;
- (2) issues from ready supply stores;
- (3) issues made on inventory manager initiated redistribution orders (document identifier A2_);
- (4) all other expenditure transactions not involving actual physical issues of material from stores, such as credit issues (returns to stores), and transfers to surplus disposal;

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- (5) issues resulting in total warehouse refusals;
- (6) issues from SERVMARTS;
- (7) issues from self service stores.

A demand request for which a partial issue of the total quantity requested is made from stock will be counted as an issue from stock on hand, line 7. The unfilled portion of such a demand, for which a backorder is established or other supply action taken, will be counted as a line item Not In Stock (NIS) on line 6. Since line 5 equals the sum of lines 6 and 7, line 3 equals lines 4 and 5, and line 1 equals lines 2 and 3, it is necessary to record an additional demand on line 5 to account for the separate recording of partial issues.

h. Base Equipment Repair Parts and Subsistence, Aeronautical and Photographic Material. In selected segments of the Navy Supply System, activities are permitted to fill specific requests by direct delivery from commercial sources, in lieu of maintenance of stocks in the reporting activity or supply or replenishment by the inventory manager. Include in line 5, as material requests, and in line 7, as issues from stock on hand, those authorized subsistence items, base equipment repair parts and items of aeronautical and photographic material which are supplied as required through local procurement.

i. Line 8. Activity Net Material Availability. The net material availability is the percentage of material requests for standard system stock items normally carried by the activity receiving the request, which were available for immediate issue of all or part of the total quantity requested (including authorized substitutions) from stock on hand at the time of initial processing of the requests. The net material availability index is computed by dividing the entry for line 7 by the entry for line 5, and multiplying the result by 100. The final result will be expressed to the nearest tenth of one percent (e.g., 91.8) and entered on line 8.

j. Line 9. Point-of-Entry Material Requests Included in Line 3. Enter the sum of incoming material requests for standard stock items bearing document identifier A0_ included in material requests for standard stock items, line 3. Add an additional demand (request) when the request results in a partial issue and a Not In Stock (NIS) for the remainder of the unfilled demand.

k. Line 10. Point-of-Entry-Issues Included in Line 7. Enter the total number of line items for standard stock items on point-of-entry material requests included in total issues from stock on hand, line 7.

l. Line 11. Activity Point-of-Entry Availability. The point-of-entry availability index is the percentage of initial entry demand requests, placed by customers on stock points, which were available for immediate issue of all or part of the total quantity requested. This index reflects the effectiveness of the stock points in filling customer demand for system stocks. The point-of-entry availability is computed by dividing the entry for line 10 by the entry for line 9 and multiplying the result by 100. The final result will be expressed to the nearest tenth of one percent (e.g., 88.2) and entered on line 11.

08212 SECTION 2 - ISSUE ANALYSIS

1. Inventory control data prescribed in this subparagraph are designed to provide an analysis of the nature of the supply support being rendered by the reporting activity, and to furnish cognizant inventory manager, NAVSUP, and logistics commanders with data necessary for system-wide analysis of distribution patterns. Section 2 of NAVSUP Form 1144 provides an analysis of total line items (standard and nonstandard material) issued from stock, including issues to SERVMARTS, base equipment repair parts supplied from vendor stocks in accordance with paragraph 08211.1h, by issue categories defined below. Issues from SERVMARTS will be excluded from this section. Stock transactions not involving physical issues of material from stock of the reporting activity are excluded.

a. Line 12, Issues to Fleet. Enter the total number of line items issued to active and reserve vessels of the U.S. Navy, including vessels assigned to the Military Sealift Command and fleet issue ships for overseas deployment and issues to fleet operated aircraft. Issues to Fleet will include:

(1) line items issued on repair material request documents;

(2) line items issued to operating aircraft and aviation units based or operating ashore, including training units. This item includes issues from auxiliary stores and issues to experimental aircraft being tested at the reporting activity;

(3) line items issued on allowance and load lists, or equivalents for the support of special planned programs, such as outfitting or re-outfitting;

(4) 3M organizational or intermediary maintenance activity.

This line excludes issues for the support of new construction, conversion, alteration, and manufacturing programs at industrial type activities.

b. Line 13, Issues for Activity Use - Industrial Support and Station Maintenance. Enter the total number of line items issued to industrial activities or production departments for performance of industrial functions incident to overhaul and repair, conversion, alteration, construction, and manufacturing programs, and the total number of line items issued for use by the reporting activity incident to station maintenance. This item will include:

(1) issues to shop stores supporting station maintenance operations and industrial operations;

(2) issues for experimental and testing purposes for the end use components designed for ultimate use in or with operating aircraft.

This line excludes issues from shop stores.

c. Line 14, Issues on Requisitions to Other Navy Activities. Enter the total of line items issued to other Navy activities, including:

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- (1) issues to overseas bases;
- (2) issues to assigned Navy satellite activities;
- (3) issues to non-satellite Navy activities;
- (4) issues to ready supply stores located at satellite activities;

d. Line 15, Issues to Other DOD Activities. Enter the total number of line items issued to activities of the U.S. Army, U.S. Air Force and U.S. Marine Corps.

e. Line 16, Other Material Issues. Enter the total number of line items issued from stock other than those specified above. These include, but are not limited to: issues to other government departments, including issues to U.S. Coast Guard; issues for the government furnished material to private contractors; issues for advance base component assembly; and issues for breakdown/build-up projects. This item excludes issues incident to the transfer of material to surplus disposal and all other stock transactions not involving the actual physical issue of stock material carried on the official stock record of the reporting activity.

f. Line 17, Total Issues. Enter the sum of lines 12 through 16.

08213 SECTION 3 - TOTAL ISSUES BY GROUP

1. Section 3 of NAVSUP Form 1144 provides for the reporting, by cognizant symbol, of line items issued on request documents by customer assigned priority designator, during the reporting period. Issues will be broken down by issue groups 1, 2, and 3. The sum of line 18 through 20 must equal line 17.

a. Line 18, Total Issues - Issue Group 1. Enter the total number of line items issued on request documents bearing customer assigned priority designators 1 through 3 (Issue Group 1).

b. Line 19, Total Issues - Issue Group 2. Enter the total number of line items issued on request documents bearing customer assigned priority designators 4 through 8 (Issue Group 2).

c. Line 20, Total Issues - Issue Group 3. Enter the total number of line items issued on request documents bearing customer assigned priority designator 9 through 15 (Issue Group 3).

d. Line 21. Leave blank.

08214 SECTION 4 - ISSUE PROCESSING ANALYSIS

1. Section 4 of NAVSUP Form 1144 provides for the reporting of percentage of issues made on time for selected types of material, by Issue Group. Section 4 shall be reported for all cogs

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processed on line. Reporting for cogs processed off line is optional. Those types of material which do not satisfy the above criteria will be omitted from Section 4. Data reported in this section will be based on meeting the established CNO standards specified in OPNAV Instruction 4614.1F of 15 April 1983. Time frames for supply source processing will cover the number of calendar days from receipt of material request document by the activity to the time material is physically positioned in a transit shed or turned over to the freight terminal department. Navy Automated Transportation Documentation System (NAVADS Subsystem 11) Activities Issue and Shipment Processing Analysis. Section 4 of NAVSUP Form 1144 provides for the reporting of percentage of issues made and shipped on time for all cogs of material processed through Uniform Automated Data Processing System for Stock Points (UADPS-SP). Reporting of issues shipped on time will be by individual Issue Priority Group (IPG) and an overall total for all IPGs. Data reported in this section will be based on meeting the established Uniform Material Movement and Issue Priority System (UMMIPS) time standards (OPNAVINST 4614.1F of 15 April 1983). Time frames for storage site (stock point - supply source) processing and transportation hold time cover the number of calendar days from receipt of the requisition or material release order by the supply activity to the date material is shipped.

a. Lines 22 through 26, Enter by Issue Group (1, 2, or 3) for each selected type of material, the percentage (e.g. 92%) of issue documents issued on time in conformance with established standards. Exclude backorder releases from this section.

(1) Line 22, Percentage Issued on Time, Issue Group 1. Enter percentage of issue documents issued on item in Issue Group 1.

(2) Line 23, Percentage Issued on Time, Issue Group 2. Enter percentage of issue documents issued on time in Issue Group 2.

(3) Line 24, Percentage Issued on Time, Issue Group 3. Enter percentage of issue documents issued on time in Issue Group 3.

(4) Line 25. Leave blank.

NOTE: Reporting for Section 4, lines 22, 23 and 24 on the Activity Summary Report will be accomplished by weighting the percentage issued on time for each selected type of material by the issues processed for each selected type of material, and then dividing the sum of the products by the total volume of all selected types of material. An example is shown:

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ISSUE GROUP

Selected Type of Material Issues Processed X	Percentage Issued on Time Y	No. Issued on Time XY
Type 1. 6,000	62%	3,720
Type 2. 5,500	78%	4,290
Type 3. 5,000	45%	2,250
Type 4. 4,500	84%	3,780
Type 5. 4,000	56%	2,240
Type 6. 3,500	62%	2,170
Type 7. 3,000	90%	2,700
Type 8. 2,500	44%	1,100
Type 9. 2,000	90%	1,800
Type 10. 1,500	70%	1,050
TOTAL 37,500		25,100
	<u>25,100</u> = 67% Issued on Time	
	37,500	

(5) Line 26, Percentage Issued On Time - All Groups. Enter the percentage of issue documents issued on time for all issue groups.

This percentage will be computed for each selected type of material and for the activity summary by weighting the issues (lines 18 through 20) by the percentage issued on time (lines 22 through 24).

(Line 18)	1,000	(Line 22)	90%	900
(Line 19)	5,000	(Line 23)	76%	3,800
(Line 20)	37,500	(Line 24)	67%	25,100
(Line 17)	43,500			29,800

29,800 = 69% of all Issue Groups
43,500 Issued on Time (Line 26)

08215 SECTION 5 - MISCELLANEOUS

1. Section 5 of NAVSUP Form 1144 provides for the reporting of selected items of inventory control data. Lines 28-30 will be reported quarterly for the months ending December, March, June and September of each fiscal year. Data reported for these lines will reflect the status of the items as of the last day of the reporting quarter. Line 27 and lines 31-34 will be completed monthly.

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a. Stock Range. Stock range is defined as the total number of individual stock items normally carried in stock by the reporting supply activity, including those items for which the stock records reflect a temporary zero balance but for which stock replenishment is anticipated at some future time. Stock items carried in more than one stores account or condition category will be counted once only for purpose of stock range reporting.

b. Line 27, Total Receipts. Enter the sum of all receipts picked up on stock records.

c. Line 28, Standard Stock Items Carried, End of Quarter. Enter the total number of stock items assigned standard stock numbers (within the frame work of the Navy or Federal Supply Classification System) by the cognizant inventory manager and normally carried in stock by the reporting activity. This item includes standard stock items for which the activity exercises local inventory control (acquisition advice codes "A" and "L").

d. Line 29, Nonstandard Stock Items Carried, End of Quarter. Enter the total number of nonstandard stock items (Alpha L in 3rd position of NIIN), normally carried in stock, assigned local stock numbers by the holding activity.

e. Line 30, Total Stock Items Carried. Enter the sum of lines 28 and 29. This figure represents the activity's stock range, and includes index coded records except for records coded "X and "Z". Source of this count is the P-UA53 statistics.

f. Line 31, Issues from SERVMARTS. Enter the number of line items issued by SERVMARTS. Data for this line will be included in non cog NC3 only.

g. Line 32, Issues from Other Retail Outlets. Enter the total number of issues from other retail outlets, not counted in Section 1. Other retail outlets may include issues from: activity shop stores; ready supply stores; ready issue stores; various pools; or as otherwise designated by the activity Commanding Officer.

Issues for this line will be included in the summary sheet only, and is for activity only. Exclude Fixed Allowance Rotable Pools.

h. Line 33, Warehouse Refusals Included in Line 1. A warehouse refusal is a condition caused by the inability of a stock point to satisfy a demand because the required material, available on the stock record is either not on hand or cannot be located. Stock points are to conduct a preliminary physical search to confirm that the required material is not available prior to input as a warehouse refusal. This search is to take place within allowable UMMIPS time frames, but not to exceed 12 working hours after the potential refusal is first realized. Enter the total number of warehouse refusals or total or partial quantities included in line 1. However, only total quantities will be deleted from line 7 and the redistribution orders will be deleted from line 16.

i. Line 34, Warehouse Refusal Rate. The warehouse refusal rate measures the percent of issues not able to be completed due to the fact that the warehouse location and/or quantity are

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not in agreement with the stock records. This rate is computed by dividing line 33 by the sum of lines 17 and 33 and multiplying the result by 100. The final result will be expressed to the nearest tenth of one percent (i.e., 1.3) and entered in line 34.

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Section II: 1144 REPORT FORMAT

PAGE 1	INPUT SUMMARY	1144 REPORT
ACTIVITY: NAVAL AVIATION SUPPLY OFFICE		CODE: 00
YEAR: 94	QUARTER: 3 MONTH: 9 TYPE:	ACTIVITY ID#: N00383
		LINE
1	Tot matl req. line items (sum of lines 2 + 3)	1 147794
	Matl req. excluded from further computations	2 9229
AVAILA-	Matl req. for std stock items (sum of lines 4 + 5)	3 138565
BILITY	Std stock items not carried (NC)	4 0
ACTIVITY	Net matl req. for std stock items (sum lines 6 + 7)	5 138565
MATERIAL	Std stock items not in stock (NIS)	6 26166
	Issues of std stock items	7 112399
	Activity net matl avail. [(Line 7 / Line 5) x 100]	8 81
	Point of entry matl req. for std stock items in line 3	9 120445
	Point of entry issues of std stock items in line 7	10 96125
	Activity point of entry avail. [(Line 10 / Line 9) x 100]	11 80
2	Issues to fleet	12 56520
	Issues for activity use	13 199
ISSUE	Issues to other Navy activities	14 50582
ANALYSIS	Issues to other DOD activities	15 1835
(Line	Other matl issues	16 30255
Items)	TOT ISSUES (Sum of lines 12 thru 16 also 18 thru 21	17 139391
3	Tot issues - Issue Group 1	18 12127
ISSUES BY	Tot issues - Issue Group 2	19 7388
GROUP	Tot issues - Issue Group 3	20 119876
	Tot issues - Issue Group 4	21 0
4	Percentage shipped on time - Issue Group 1	22 54
ISSUE	Percentage shipped on time - Issue Group 2	23 95
PROCESS-	Percentage shipped on time - Issue Group 3	24 91
ING	Percentage shipped on time - Issue Group 4	25 0
ANALYSIS	Percentage shipped on time - All Groups (weighted average)	26 88
5	Tot receipts	27 1058
MISCEL-	Std stock items carried, end of quarter	28 171399
LANEOUS	Nonstd stock items carried, end of quarter	29 0
	Total Stock Items Carried (Sum of lines 28 + 29)	30 171399
	Issues from SERVMARTS	31 0
	Issues from other retail outlets	32 0
	Warehouse refusals included in line 6	33 234
	W/H refusal rate [Line 33 / (Sum lines 17 + 33) x 100]	34 0.17

Part C: STATMAN INVENTORY

Section I: INSTRUCTIONS

08311 GENERAL GUIDANCE

1. A quarterly random sampled inventory is required to be performed and the results reported to NAVSUP by the 15th day following the end of each quarter. STATMAN will be used to generate the random sampled inventories for general supplies at all UADPS activities.
2. STATMAN inventories should be conducted by the entity responsible for physical inventory under each partnering agreement.
3. STATMAN inventories are not required for any activity operating under DSS. DLA will be responsible for reporting inventory accuracy results for those activities operating under DSS.

08312 OSD ANNUAL REQUIREMENT

1. STATMAN will be used to meet the annual OSD inventory reporting requirement. The parameter settings below will be used for both NAVSUP and OSD reporting requirements so that a separate and special inventory will not need to be accomplished to meet the OSD annual reporting requirement. The fourth quarter STATMAN report will be used for consolidating and reporting to OSD on the Navy's overall inventory accuracy.

08313 OVERALL PARAMETER SETTINGS

1. The following overall parameter settings will be input to initiate a STATMAN inventory:
 - a. Confidence Limit: no higher than 95%.
 - b. Bound Specification: maximum of 4%
 - c. Allocation: 1 (Optimal) Note: 0 (Proportional) may be used for smaller activities. (Less than 10,000 items)
 - d. Maximum Sample Size: 9999
 - e. Variable Accuracy Position 2: 1.0%
 - f. Variable Accuracy Position 3: 5.0%
 - g. Variable Accuracy Position 4: 10.0%
 - h. Dollar Adjustment Position 2: \$200
 - i. Dollar Adjustment Position 3: \$1,000

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Special Reporting Requirements

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- j. Dollar Adjustment Position 4: \$16,000 (or less, depending on the causative research threshold determined for your activity)
- k. Service Designator Code: N
- l. Unit Identification Code: Use the UIC for the activity being inventoried
- m. Total Number of Strata: 0
- n. Total Number of Substrata: 4
- o. Julian Date: Enter Julian date of when the inventory is being initiated
- p. Document Serial Number: Automatically generated by UADPS
- q. Cutoff Date Indicator: Blank
- r. Sample Override Indicator: Blank
- s. Location Override: Blank
- t. Zero On-hand No Location Override: Blank
- u. Site Code: Enter appropriate site code

08314 SUBSTRATA PARAMETER SETTINGS

1. Enter the following parameter settings for each substrata:
 - a. Substrata Name: High Dollar Value (unit price greater than or equal to \$1,000)
Designation Number: 1
Sequence Number: 1
Estimated Accuracy: no greater than 95%
Variable Accuracy Code: 0
Cost to Sample: no greater than \$1.00
Number of Attributes: 1
Attribute Description:

<u>DEN #</u>	<u>Relation Code</u>	<u>Value On Card</u>	<u>DEN Name</u>	<u>Relation Name</u>	<u>Value</u>	<u>AND/OR</u>
3	6	1000.00	Unit Price	Greater than	1000.00	or equal to

- b. Substrata Name: High Variability (unit of issue not equal to each; or on-hand balance greater than 50 and extended dollar value less than \$50,000; or average quarterly demand greater than 3)
Designation Number: 1
Sequence Number: 1
Estimated Accuracy: no greater than 95%

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Special Reporting Requirements

Variable Accuracy Code: 3
 Cost to Sample: no greater than \$5.00
 Number of Attributes: 4
 Attribute Description:

DEN #	Relation Code	Value On Card	DEN Name	Relation Name	Value	AND/OR
10	2	EA	Unit of Issue	Unequal to	EA	OR
15	5	50	On-hand Qty	Greater than	50	AND
22	3	50,000	Extended Dollar Value	Less than	50,000	OR
18	5	3	Average Qtrly Demand	Greater than	3	

c. Substrata Name: Low Maintenance (date of last inventory greater than 24 months and on-hand balance less than 50)

Designation Number: 1
 Sequence Number: 1
 Estimated Accuracy: no greater than 95%
 Variable Accuracy Code: 2
 Cost to Sample: no greater than 1.00
 Number of Attributes: 2
 Attribute Description:

DEN #	Relation Code	Value On Card	DEN Name	Relation Name	Value	AND/OR
16	3	(4 digit julian date 2 yrs prior to cutoff date)	Date of Last Inventory	Less than	(4 digit julian date 2 yrs prior to cutoff date)	AND
15	3	50	On-hand Qty	Less than	50	

d. Substrata Name: Other (items not meeting criteria in first three categories)

Designation Number: 1
 Sequence Number: 1
 Estimated Accuracy: no greater than 95%
 Variable Accuracy Code: 0
 Cost to Sample: no greater than 1.00
 Number of Attributes: 1
 Attribute Description:

DEN #	Relation Code	Value On Card	DEN Name	Relation Name	Value	AND/OR
15	6	0	On-hand Qty	Greater than or equal to	0	

08315 EXCLUSIONS

1. The following type of material may be excluded from STATMAN inventories, but must be inventoried in accordance with Chapter 2:

a. Purpose codes L, V, and W material.

- b. Condition code M (repairables) material.
- c. 9M cog (subsistence) material.

Section II: REPORTS

08321 UI48G REPORT

1. This report is the Parameter Report that shows the parameter inputs for each substrata as well as the overall parameters. A sample UI48G Report is provided in Figure 1 below.

08322 UI51G REPORT

1. This report is the PSF Extract Report that shows the NIINs not processed due to the following reasons:

- a. Reason code NF: NIIN was not found or was invalid. This will occur if a NIIN is already under inventory or if indicative data for a particular NIIN (i.e., purpose code, condition code, SMIC code, cog, etc.) is invalid.

- b. Reason code NC: No first counts were put into Automated Inventory Reconciliation (AIR) because item is located at another site or is undergoing causative research.

- c. Reason code NA: Record was not adjusted because first count was taken but second count or adjustment was not input to AIR.

2. A sample UI51G Report is provided in Figure 2 below.

08323 UI52G REPORT

1. This report is created when all inventories for a particular serial number are complete. The report provides the results of the inventory broken out by substrata as well as an overall summary. A sample UI52G Report is provided in Figure 3 below.

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Special Reporting Requirements

TITLE	INPUT VALUE	OUTPUT VALUE	DEFAULT VALUE
DATE 99/02/02			
TIME 13:51			
PARAMETER REPORT			
ACTIVITY: N68438			
SITE CODE: AT			
PAGE 1			
ERROR MESSAGES FOR OVERALL PARAMETER:			
NONE			
PARAMETER VALUES FOR OVERALL	CARD - TYPE 1		
SEED		49903400	N/A
CONFIDENCE LIMIT	95.00%	95.00%	95.00%
BOUND SPECIFICATION	02.00%	2.00%	2.00%
ALLOCATION (O-P/1-0)	1	1	0
MAX SAMPLE SIZE	9999	9999	9999
NIIN SUPP FLAG	1	1	0
VAR ACC POSITION 2	01.00%	1.00%	1.00%
VAR ACC POSITION 3	05.00%	5.00%	5.00%
VAR ACC POSITION 4	10.00%	10 00%	10.00%
DOL ADJ POSITION 2	\$00200	\$ 200	\$ 200
DOL ADJ POSITION 3	\$01000	\$ 1000	\$ 800
DOL ADJ POSITION 4	\$16000	\$16000	\$ 5000
SERVICE DESIG CD	N	N	N
UNIT IDENT CD	68438	68438	N/A
TOTAL NR STRATA	00	0	0
TOTAL NR SUBSTRATA	04	4	N/A
JULIAN DATE	9033	9033	9033
DOCUMENT SERIAL NR	A033	A033	A033
CUTOFF DATE IND			BLANK
SAMPLE OVERRIDE IND			BLANK
LOCATION OVERRIDE			BLANK
ZERO OH NO LOC OVRD			BLANK
SITE CODE	AT	AT	N/A

Figure 1

NAVSUP P-723 - Navy Inventory Integrity Procedures

Special Reporting Requirements

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DATE 99/02/02	PARAMETER REPORT		PAGE 2			
TIME 13:51	ACTIVITY: N68438		SITE CODE: AT			
ERROR MESSAGES FOR SUBSTRATA PARAMETER:						
NONE FOR SEQUENCE CARD 1						
PARAMETER VALUES FOR SUBSTRATA CARD - TYPE 3						
TITLE	INPUT VALUE	OUTPUT VALUE	DEFAULT VALUE			
DESIGNATION NUMBER	01	1	N/A			
SEQUENCE NUMBER	1	1	N/A			
NAME	HIGH DOLLAR VALUE	HIGH DOLLAR VALUE	N/A			
ESTIMATED ACCURACY	95.00%	95.00%	50.00%			
VARIABLE ACCURACY	0	0		0		
COST TO SAMPLE	\$.72	\$.72	\$1.00			
NUMBER OF ATTRIBUTES	1	1		N/A		
SEQUENCE NUMBER	2					
ATTRIBUTE EXPLANATION FOR INPUT VALUES:						
DEN IDENT NR	RELATION CODE	VALUE ON CARD	DEN NAME	RELATION	VALUE	AND/OR
03	6	\$ 1000.00	UNIT PRICE	GREATER THAN OR EQUAL TO	\$ 1000.00	

Figure 1

NAVSUP P-723 - Navy Inventory Integrity Procedures

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Special Reporting Requirements

DATE 99/02/02	PARAMETER REPORT		PAGE 3			
TIME 13:51	ACTIVITY: N68438		SITE CODE: AT			
ERROR MESSAGES FOR SUBSTRATA PARAMETER:						
NONE FOR SEQUENCE CARD 1						
PARAMETER VALUES FOR SUBSTRATA CARD - TYPE 3						
TITLE	INPUT VALUE	OUTPUT VALUE	DEFAULT VALUE			
DESIGNATION NUMBER	02	2	N/A			
SEQUENCE NUMBER	1	1	N/A			
NAME	HIGH VARIABILITY	HIGH VARIABILITY	N/A			
ESTIMATED ACCURACY	95.00%	95.00%	50.00%			
VARIABLE ACCURACY	3	3	0			
COST TO SAMPLE	\$.42	\$.42	\$1.00			
NUMBER OF ATTRIBUTES	4	4	N/A			
SEQUENCE NUMBER	2					
ATTRIBUTE EXPLANATION FOR INPUT VALUES:						
DEN IDENT NR	RELATION CODE	VALUE ON CARD	DEN NAME	RELATION	VALUE	AND/OR
10	2	EA	UNIT OF ISSUE	UNEQUAL TO	EA	
OR						
15	5	50	ON-HAND QTY	GREATER THAN	50	
AND						
22	3	50,000	EXTENDED VALUE	LESS THAN	50,000	OR
18	5	3	AQD	GREATER THAN	3	

Figure 1

NAVSUP P-723 - Navy Inventory Integrity Procedures

Special Reporting Requirements

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DATE 99/02/02	PARAMETER REPORT	PAGE 4				
TIME 13:51	ACTIVITY: N68438	SITE CODE: AT				
ERROR MESSAGES FOR SUBSTRATA PARAMETER: NONE FOR SEQUENCE CARD 1						
PARAMETER VALUES FOR SUBSTRATA CARD - TYPE 3						
TITLE	INPUT VALUE	OUTPUT VALUE	DEFAULT VALUE			
DESIGNATION NUMBER	03	3	N/A			
SEQUENCE NUMBER	1	1	N/A			
NAME	LOW MAINT	LOW MAINT	N/A			
ESTIMATED ACCURACY	95.00%	95.00%	50.00%			
VARIABLE ACCURACY	2	2	0			
COST TO SAMPLE	\$ 70.00	\$ 70.00	\$1.00			
NUMBER OF ATTRIBUTES	2	2	N/A			
SEQUENCE NUMBER	2					
ATTRIBUTE EXPLANATION FOR INPUT VALUES:						
DEN IDENT NR	RELATION CODE	VALUE ON CARD	DEN NAME	RELATION	VALUE	AND/OR
16	3	7033	DATE LAST SCHED	LESS THAN	7033	AND
15	3	50	INV ON-HAND QTY	LESS THAN	50	

Figure 1

NAVSUP P-723 - Navy Inventory Integrity Procedures

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Special Reporting Requirements

DATE 99/02/02	PARAMETER REPORT		PAGE 5		
TIME 13:51	ACTIVITY: N68438		SITE CODE: AT		
ERROR MESSAGES FOR SUBSTRATA PARAMETER:					
NONE FOR SEQUENCE CARD 1					
PARAMETER VALUES FOR SUBSTRATA CARD - TYPE 3					
TITLE	INPUT VALUE	OUTPUT VALUE	DEFAULT VALUE		
DESIGNATION NUMBER	04	4	N/A		
SEQUENCE NUMBER	1	1	N/A		
NAME	ALL OTHER	ALL OTHER	N/A		
ESTIMATED ACCURACY	95.00%	95.00%	50.00%		
VARIABLE ACCURACY	0	0		0	
COST TO SAMPLE	\$ 70.00	\$ 70.00	\$1.00		
NUMBER OF ATTRIBUTES	1	1	N/A		
SEQUENCE NUMBER	2				
ATTRIBUTE EXPLANATION FOR INPUT VALUES:					
DEN IDENT NR	RELATION CODE	VALUE ON CARD	DEN NAME	RELATION	VALUE AND/OR
15	6	0	MSIR ON HAND QTY	GREATER THAN OR EQUAL TO	0

Figure 1

NAVSUP P-723 - Navy Inventory Integrity Procedures

Special Reporting Requirements

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REPORT DATE: 99/02/26	PSF EXTRACT REPORT				PAGE 1	
REPORT TIME 14:53	ACTIVITY: PA039				SITE CODE: AT	
NIINS NOT PROCESSED						
NIIN	COGNIZANCE SYMBOL	CONDITION CODE	PURPOSE CODE	SMIC CODE	SUBSTRATA NUMBER	REASON
002755874	9D	A	A		02	NF
011793470	9N	A	A		02	NF

REPORT DATE: 99/02/26	PSF EXTRACT REPORT				PAGE 2	
REPORT TIME 14:53	ACTIVITY: PA039				SITE CODE: AT	
STATISTICAL COUNTS						
ACTUAL SAMPLE SIZE 1163						
DUPLICATE NIINS				0		
ADJUSTED SAMLE SIZE				1163		
NIINS NOT FOUND				2		
NIINS NOT COUNTED				0		
NIINS NOT ADJUSTED				0		
NIINS WRITTEN				1161		

Figure 2

NAVSUP P-723 - Navy Inventory Integrity Procedures

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Special Reporting Requirements

REPORT DATE: 99/02/23	INVENTORY ACCURACY STATISTICS REPORT								PAGE 1						
REPORT TIME 12:53	ACTIVITY: N68438								SITE CODE: AT						
SUBSTRATUM: HIGH DOLLAR VALUE				SUBSTRATUM DESIGNATOR NUMBER: 1											
POPULATION: 10,489	SAMPLE: 440	ESTIMATED ACCURACY: 95.00%								CONFIDENCE LEVEL: 95%					
VARIABLE ACCURACY (PERCENTAGE)				DOLLAR ADJUSTMENTS GROSS (PERCENTAGE)				MONETARY ADJUSTMENTS* (DOLLAR VALUES)			MONETARY ADJUSTMENTS (PERCENTAGE)				
0%	1.00%	5.00%	10.00%	\$0	\$ 200	\$ 1000	\$16000	POS	NEG	GROSS	POS	NEG	GROSS		
ACCURACY BREAKDOWN															
DLA	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	
COMMINGLED	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	
NAVY	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	
BOUND	0.00	0.00	0.00	0.00											
NUMBER OF ITEMS															
DLA	1	1	1	1	1	1	1	1	0	0	0				
COMMINGLED	3	3	3	3	3	3	3	3	0	0	0				
NAVY	436	436	436	436	436	436	436	436	0	0	0				
TOTAL	440	440	440	440	440	440	440	440	0	0	0				
OVERALL ACCURACY FOR THIS SUBSTRATUM: 100.00%							OVERALL BOUND ON ACCURACY: 0.00%								
DLA INVENTORY DOLLAR VALUE:					\$16,098.18										
NAVY INVENTORY DOLLAR VALUE:					\$9,161,392.07										
TOTAL SUBSTRATUM INVENTORY DOLLAR VALUE:					\$9,177,490.25										
* -----ALL ADJUSTMENTS ARE TAKEN AGAINST DLA STOCK, IF AVAILABLE, THEN AGAINST NAVY STOCK.															

Figure 3

NAVSUP P-723 - Navy Inventory Integrity Procedures

Special Reporting Requirements

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REPORT DATE: 99/02/23	INVENTORY ACCURACY STATISTICS REPORT										PAGE 2			
REPORT TIME 12:53	ACTIVITY: N68438										SITE CODE: AT			
SUBSTRATUM: HIGH VARIABILITY				SUBSTRATUM DESIGNATOR NUMBER: 2										
POPULATION: 7,950	SAMPLE: 434	ESTIMATED ACCURACY: 95.00%				CONFIDENCE LEVEL: 95%								
VARIABLE ACCURACY (PERCENTAGE)				DOLLAR ADJUSTMENTS GROSS (PERCENTAGE)				MONETARY ADJUSTMENTS* (DOLLAR VALUES)			MONETARY ADJUSTMENTS (PERCENTAGE)			
0%	1.00%	5.00%	10.00%	\$0	\$ 200	\$1000	\$16000	POS	NEG	GROSS	POS	NEG	GROSS	
ACCURACY BREAKDOWN														
DLA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	364.26	364.26	0.00	1.24	1.24
COMMINGLED	50.00	50.00	100.00	100.00	50.00	50.00	100.00	100.00						
NAVY	92.36	93.29	96.30	97.69	92.36	99.77	100.00	100.00	456.71	718.40	1175.11	0.05	0.07	0.12
TOTAL	92.17	93.09	96.31	97.70	92.17	99.54	100.00	100.00	456.71	1082.66	1539.37	0.04	0.10	0.15
BOUND	2.46	2.32	1.73	1.37										
NUMBER OF ITEMS														
DLA	0	0	0	0	0	0	0	0	0	1	1			
COMMINGLED	1	1	2	2	1	1	2	2	0	0	0			
NAVY	399	403	416	422	399	431	432	432	17	16	33			
TOTAL	400	404	418	424	400	432	434	434	17	17	34			
OVERALL ACCURACY FOR THIS SUBSTRATUM: 97.70% OVERALL BOUND ON ACCURACY: 1.37%														
DLA INVENTORY DOLLAR VALUE: \$29,332.24														
NAVY INVENTORY DOLLAR VALUE: \$1,007,500.73														
TOTAL SUBSTRATUM INVENTORY DOLLAR VALUE: \$1,036,832.97														
* -----ALL ADJUSTMENTS ARE TAKEN AGAINST DLA STOCK, IF AVAILABLE, THEN AGAINST NAVY STOCK.														

Figure 3

NAVSUP P-723 - Navy Inventory Integrity Procedures

08323

Special Reporting Requirements

REPORT DATE: 99/02/26	INVENTORY ACCURACY STATISTICS REPORT								PAGE 3					
REPORT TIME 12:53	ACTIVITY: N68438								SITE CODE: AT					
SUBSTRATUM: LOW MAINTENANCE				SUBSTRATUM DESIGNATOR NUMBER: 3										
POPULATION: 26,349	SAMPLE: 158	ESTIMATED ACCURACY: 95.00%				CONFIDENCE LEVEL: 95%								
VARIABLE ACCURACY (PERCENTAGE)				DOLLAR ADJUSTMENTS GROSS (PERCENTAGE)				MONETARY ADJUSTMENTS* (DOLLAR VALUES)			MONETARY ADJUSTMENTS (PERCENTAGE)			
0%	1.00%	5.00%	10.00%	0%	\$ 200	\$1000	\$16000	POS	NEG	GROSS	POS	NEG	GROSS	
ACCURACY BREAKDOWN														
DLA	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00
COMMINGLED	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00						
NAVY	97.54	97.89	97.89	98.59	97.54	100.00	100.00	100.00	11.94	23.17	35.11	0.01	0.03	0.04
TOTAL	97.56	97.91	97.91	98.61	97.56	100.00	100.00	100.00	11.94	23.17	35.11	0.01	0.02	0.04
BOUND	1.78	1.65	1.65	1.35										
NUMBER OF ITEMS														
DLA	2	2	2	2	2	2	2	2	0	0	0			
COMMINGLED	1	1	1	1	1	1	1	1	0	0	0			
NAVY	155	155	152	153	155	155	152	153	3	4	7			
TOTAL	158	158	155	156	158	158	155	156	3	4	7			
OVERALL ACCURACY FOR THIS SUBSTRATUM: 97.91%														
OVERALL BOUND ON ACCURACY: 1.65%														
DLA INVENTORY DOLLAR VALUE:					\$ 9,698.61									
NAVY INVENTORY DOLLAR VALUE:					\$85,299.66									
TOTAL SUBSTRATUM INVENTORY DOLLAR VALUE:					\$94,998.27									
* -----ALL ADJUSTMENTS ARE TAKEN AGAINST DLA STOCK, IF AVAILABLE, THEN AGAINST NAVY STOCK.														

Figure 3

NAVSUP P-723 - Navy Inventory Integrity Procedures

Special Reporting Requirements

08323

REPORT DATE: 99/02/23		INVENTORY ACCURACY STATISTICS REPORT							PAGE 4					
REPORT TIME 12:53		ACTIVITY: N68438							SITE CODE: AT					
SUBSTRATUM: ALL OTHER														
POPULATION: 55,342		SAMPLE: 1,161			CONFIDENCE LEVEL: 95%									
VARIABLE ACCURACY (PERCENTAGE)				DOLLAR ADJUSTMENTS GROSS (PERCENTAGE)				MONETARY ADJUSTMENTS* (DOLLAR VALUES)			MONETARY ADJUSTMENTS (PERCENTAGE)			
0%	1.00%	5.00%	10.00%	0%	\$ 200	\$1000	\$16000	POS	NEG	GROSS	POS	NEG	GROSS	
ACCURACY BREAKDOWN														
DLA	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00
COMMINGLED	83.33	83.33	100.00	100.00	83.33	83.33	100.00	100.00						
NAVY	96.53	96.96	98.09	98.78	96.53	99.91	100.00	100.00	468.65	741.57	1210.22	0.00	0.01	0.01
TOTAL	97.36	97.72	98.02	98.70	96.47	99.83	100.00	100.00	468.85	1105.83	1574.48	0.00	0.01	0.02
BOUND	1.42	1.32	1.31	1.07										
NUMBER OF ITEMS														
DLA	3	3	3	3	3	3	3	3	0	0	0			
COMMINGLED	5	5	6	6	5	5	6	6	0	0	0			
NAVY	1112	1117	1130	1138	1112	1151	1152	1152	20	20	40			
TOTAL	1120	1125	1139	1147	1120	1159	1161	1161	20	20	40			
OVERALL ACCURACY 98.15%		OVERALL BOUND ON ACCURACY: 0.00%												
DLA INVENTORY DOLLAR VALUE:					\$31,368.31									
NAVY INVENTORY DOLLAR VALUE:					\$ 8,436,784.98									
TOTAL OVERALL INVENTORY DOLLAR VALUE:					\$ 8,468,153.29									
* -----ALL ADJUSTMENTS ARE TAKEN AGAINST DLA STOCK, IF AVAILABLE, THEN AGAINST NAVY STOCK.														

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Special Reporting Requirements

REPORT DATE: 99/02/23		INVENTORY ACCURACY STATISTICS REPORT							PAGE 5					
REPORT TIME 12:53		ACTIVITY: N68438							SITE CODE: AT					
OVERALL														
POPULATION: 100,130		SAMPLE: 2,193		ESTIMATED ACCURACY: 95.00%				CONFIDENCE LEVEL: 95%						
VARIABLE ACCURACY (PERCENTAGE)				DOLLAR ADJUSTMENTS GROSS (PERCENTAGE)				MONETARY ADJUSTMENTS* (DOLLAR VALUES)			MONETARY ADJUSTMENTS (PERCENTAGE)			
0%	1.00%	5.00%	10.00%	0%	\$ 200	\$1000	\$16000	POS	NEG	GROSS	POS	NEG	GROSS	
ACCURACY BREAKDOWN														
DLA	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	0.00	364.26	364.26	0.00	0.42	0.42
COMMINGLED	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00						
NAVY	98.00	97.09	98.89	97.59	98.04	100.00	100.00	100.00	937.30	1483.14	2420.44	0.00	0.01	0.01
TOTAL	98.56	97.91	98.91	97.61	98.56	100.00	100.00	100.00	937.30	1847.40	2784.70	0.00	0.01	0.01
BOUND	1.88	1.55	1.65	1.65										
NUMBER OF ITEMS														
DLA	6	6	6	6	6	6	6	6	0	1	1			
COMMINGLED	10	10	12	12	10	10	12	12	0	0	0			
NAVY	2102	2111	2134	2149	2102	2141	2172	2173	40	40	80			
TOTAL	2118	2127	2152	2167	2118	2157	2190	2191	40	41	81			
OVERALL ACCURACY FOR THIS SUBSTRATUM: 98.24% OVERALL BOUND ON ACCURACY: 0.00%														
DLA INVENTORY DOLLAR VALUE:											\$ 86,497.34			
NAVY INVENTORY DOLLAR VALUE:											\$18,700,967.44			
TOTAL SUBSTRATUM INVENTORY DOLLAR VALUE:											\$18,787,464.78			
* -----ALL ADJUSTMENTS ARE TAKEN AGAINST DLA STOCK, IF AVAILABLE, THEN AGAINST NAVY STOCK.														

Figure 3

Part D: MATERIAL INVENTORY (MI) PROCEDURES AND PARAMETERS

Section I: M&SA ACTIVE AND INSURANCE ACCOUNT MATERIAL (SHOP STORE)

08411 GENERAL INFORMATION

1. The Material Inventory (MI) module of the Shipyard's Material Access Technology (MAT) MIS will be used to conduct inventories at the naval shipyards. M&SA Active and Insurance Account Material (hereafter referred to as Shop Store) inventories will be set up and executed using the following parameters, characteristics, and procedures. MI can be set up to allow determination of individual Shop Store accuracy as well as overall combined Shop Store accuracy from the data of one single inventory effort. The setups below use two different Shop Stores for an example. Inventories conducted at the shipyards should be set up to conform to NAVSUP and NAVSEA policies as set forth in this publication and reference (x). To provide discrete inventory accuracy data for additional Shop Stores, the sample setups in paragraph 08412 below would simply be repeated for each additional Shop Store as desired.

08412 PARAMETERS

1. Enter the setup parameters as follows:

a. Setup code: S + SHIPYARD CODE (use the standardized shipyard code from the list below.) + DATE (3 digits, i.e., MMY)

STANDARD SHIPYARD CODES

- PMNS = NSY Portsmouth
- NNSY = NSY Norfolk
- PSNS = NSY Puget Sound
- PHNS = NSY Pearl Harbor

Inventory Type: S/S

Estimated Confidence: 95%

Estimated Bounds: 3%

Total Number of Strata: 5 (3 plus the number of individual shop stores set up)

Total Number of Substrata: 12 (4 plus 4 times the number of individual shop stores set up)

Overall Variable Accuracy Summary Settings:

<u>Setting</u>	<u>Var. Acc %</u>	<u>Var. Acc. \$</u>	<u>Combined</u>
1	1	100	\$500
2	5	500	
3	10	800	

Override: None (except shop stores such as fuel that have separate and distinct inventory requirements.

b. Substrata Number: 1
 Substrata Name: S/S #1 High Dollar Value Items

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Special Reporting Requirements

Priority Number: 1
 Estimated Accuracy: 65% (until a historical baseline is established. If actual accuracy is known, it may be used. Warning: use of an inappropriately high accuracy level may result in an invalid sample size after computation of the actual inventory results.)

Variable Accuracy %: 0
 Variable Accuracy \$: 0
 Safety Size: 0

Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
SSL	=	1	AND
UP	>	500	

c. Substrata Number: 2
 Substrata Name: S/S #1 High Variability - Monthly Demand Greater or Equal to 1

Priority Number: 2
 Estimated Accuracy: 65%
 Variable Accuracy %: 0
 Variable Accuracy \$: 0
 Safety Size: 0

Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
SSL	=	1	AND
IFQ	>=	1	

d. Substrata Number: 3
 Substrata Name: S/S #1 High Variability - S/S STD UI Not Equal to Unit of buy

Priority Number: 3
 Estimated Accuracy: 65%
 Variable Accuracy %: 5
 Variable Accuracy \$: 0
 Safety Size: 0

Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
UI	<>	EA	OR
CNV	<>	1	AND
SSL	=	1	

e. Substrata Number: 4
 Substrata Name: S/S #1 All Other Items In Population

Priority Number: 4
 Estimated Accuracy: 65%
 Variable Accuracy %: 0
 Variable Accuracy \$: 0
 Safety Size: 0

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Selection Criteria:

<u>Attribution</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
SSL	=	1	AND
RFI	>=	0	

- f. Substrata Number: 5
 Substrata Name: S/S #2 High Dollar Value
 Priority Number: 5
 Estimated Accuracy: 65%
 Variable Accuracy %: 0
 Variable Accuracy \$: 0
 Safety Size: 0
 Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
SSL	=	2	AND
UP	>	500	

- g. Substrata Number: 6
 Substrata Name: S/S #2 High Variability - Monthly Demand Greater or Equal to 1
 Priority Number: 6
 Estimated Accuracy: 65%
 Variable Accuracy %: 0
 Variable Accuracy \$: 0
 Safety Size: 0
 Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
SSL	=	2	AND
IFQ	>=	1	

- h. Substrata Number: 7
 Substrata Name: S/S #2 High Variability - S/S STD UI Not Equal to Unit of buy
 Priority Number: 7
 Estimated Accuracy: 65%
 Variable Accuracy %: 5
 Variable Accuracy \$: 0
 Safety Size: 0
 Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
UI	<>	EA	OR
CNV	<>	1	AND
SSL	=	2	

- i. Substrata Number: 8
 Substrata Name: S/S #2 All Other Items In Population
 Priority Number: 8
 Estimated Accuracy: 65%

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Special Reporting Requirements

Variable Accuracy %: 0

Variable Accuracy \$: 0

Safety Size: 0

Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
SSL	=	2	AND
RFI	> =	0	

j. Substrata Number: 9 (substrata 9, 10, 11, and 12 are used for items not included in separate S/S setups)

Substrata Name: Combined S/S High Dollar Value Items

Priority Number: 9

Estimated Accuracy: 65%

Variable Accuracy %: 0

Variable Accuracy \$: 0

Safety Size: 0

Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
UP	>	500	

k. Substrata Number: 10

Substrata Name: Combined S/S High Variability - Monthly Demand
Greater or Equal to 1

Priority Number: 10

Estimated Accuracy: 65%

Cost to Sample: 1

Variable Accuracy %: 0

Variable Accuracy \$: 0

Safety Size: 0

Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
IFQ	>=	1	

l. Substrata Number: 11

Substrata Name: Combined S/S High Variability - S/S STD UI Not
Equal to Unit of buy

Priority Number: 11

Estimated Accuracy: 65%

Variable Accuracy %: 5

Variable Accuracy \$: 0

Safety Size: 0

Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
UI	<>	EA	OR
CNV	<>	1	

m. Substrata Number: 12

Substrata Name: Combined S/S All Other Items In Population

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Priority Number: 12
Estimated Accuracy: 65%
Variable Accuracy %: 0
Variable Accuracy \$: 0
Safety Size: 0
Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
RFI	>=	0	

- n. Strata Number: 1
Strata Name: S/S #1 Total Accuracy
Strata Description: Combines Substrata 1, 2, 3, and 4 for all S/S #1 Items
- o. Strata Number: 2
Strata Name: S/S #2 Total Accuracy
Strata Description: Combines Substrata 5, 6, 7, and 8 for all S/S #2 Items
- p. Additional strata equivalent to 1 and 2 above would be made for each discrete S/S setup.
- q. Strata Number: 3
Strata Name: Overall S/S High Dollar Value
Strata Description: Combines Substrata 1, 5 (. . . etc. as required for additional S/S setups), and 9 for all S/S high value material
- r. Strata Number: 4
Strata Name: Overall S/S High Variability
Strata Description: Combines Substrata 2 and 3, 6 and 7 (. . . etc. as required for additional S/S setups), and 10 and 11 for all S/S High Variability Items
- s. Strata Number: 5
Strata Name: Overall S/S All Other Items In Population
Strata Description: Combines Substrata 4, 8 (. . . etc. as required for additional S/S setups), and 12 for all S/S Other Items In Population

2. Verify setup definition. All existing setups must have a "NEW INVENTORY", "ITEMS SELECTED", "COUNTS IN PROGRESS", "HISTORICAL", or "CANCELED" status.

3. Set the "Maximum Dollar Discrepancy" (Code Number DOD) in the Reference Codes Table to \$500. This will automatically summarize all adjustments of \$500 or more for management review.

4. Select the inventory sample. After the sample has been selected and the setup has been reviewed to ensure the inventory is correctly defined, print the following MI reports:

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Special Reporting Requirements

Report Name
Setup Definition
Setup Listing
Proposed Item Sample
Rejected Items

5. Print the count cards and conduct inventory. When the inventory is complete, go to setup and click on Reconciliation Complete.

6. Print the following MI reports:

Report Name
MI Final
Statistics
S/S Inventory Results
Progress Report
Inventory Adjustment Discrepancies
Adjustment Reason Report
Location Accuracy Report

08413 REPORTING REQUIREMENTS

1. The above reports need not be submitted to NAVSEA, but should be used for management purposes at the shipyards. A summary of M&SA inventories for the second and fourth quarters should be provided to NAVSEA in memorandum format (see Section III). Report should be provided by the 15th calendar day following the end of the report quarter.

Section II: DIRECT MATERIAL INVENTORY MATERIAL AND FUTURE USE MATERIAL

08421 GENERAL INFORMATION

1. Direct Material Inventory (DMI) and Future Use Material (FUM) inventories set up and executed as follows will provide inventory accuracy information for specific long term availabilities per inventory accuracy policy established by reference (x) and also provide corresponding inventory accuracy information summarized for the overall combined DMI account. The sample setup shown below is for two long term (i.e., greater than 8 months in duration) availabilities. The setups in paragraphs 08422.1b, 08422.1c, and 08422.1d below should be repeated using different availability numbers as attributes for as many additional long term availabilities as required in each shipyard. The three setups in paragraphs 08422.1h, 08422.1i, and 08422.1j would only be used if inventory accuracy data was required for DMI material not already covered by a separate setup.

2. FUM inventories will use the same setups as DMI except that the FUM Job Order will replace the availability number as an attribute. FUM inventories will be conducted during first quarter each fiscal year.

08422 PARAMETERS

1. Enter the setup parameters as follows:

a. Setup code: D + SHIPYARD CODE (use the standardized shipyard code below) + DATE (3 digits, i.e., MMY)

STANDARD SHIPYARD CODES

- PMNS = NSY Portsmouth
- NNSY = NSY Norfolk
- PSNS = NSY Puget Sound
- PHNS = NSY Pearl Harbor

Inventory Type: DMI
 Estimated Confidence: 95%
 Estimated Bounds: 3%
 Total Number of Strata: 5 (3 plus the number of long term availabilities to be inventoried)
 Total Number of Substrata: 9 (3 plus 3 times the number of long term availabilities to be inventoried)
 Overall Variable Accuracy Summary Settings:

<u>Setting</u>	<u>Var. Acc. %</u>	<u>Var. Acc. \$</u>	<u>Combined</u>
1	1	100	\$800
2	5	800	
3	10	5000	

b. Substrata Number: 1
 Substrata Name: Avail. #1 High Dollar Value

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Special Reporting Requirements

Priority Number: 1
 Estimated Accuracy: 80% until a historical baseline is established. If actual accuracy is known, it may be used. (Warning: use of an inappropriately high accuracy level may result in an invalid sample size after computation of actual and lower inventory accuracy results.)

Variable Accuracy %: 0
 Variable Accuracy \$: 0
 Safety Size: 0
 Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
USE	<>	J	AND
USE	<>	U	AND
AVL	=	1	AND
DUP	>	800	AND
RFI	>	0	

c. Substrata Number: 2
 Substrata Name: Avail #1 DLR
 Priority Number: 2
 Estimated Accuracy: 80%
 Variable Accuracy %: 0
 Variable Accuracy \$: 0
 Safety Size: 0
 Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
ADV	=	5A	OR
ADV	=	5D	OR
ADV	=	5G	OR
ADV	=	5R	OR
ADV	=	5S	OR
ADV	=	5V	OR
ADV	=	5W	OR
ADV	=	5Y	OR
ADV	=	52	OR
ADV	=	53	OR
ADV	=	56	OR
ADV	=	57	OR
USE	<>	J	OR
USE	<>	U	AND
AVL	=	1	AND
RFI	>	0	

d. Substrata Number: 3
 Substrata Name: Avail. #1 All Other
 Priority Number: 3
 Estimated Accuracy: 80%
 Variable Accuracy %: 0
 Variable Accuracy \$: 0

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Safety Size: 0

Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
USE	<>	J	AND
USE	<>	U	AND
AVL	=	1	AND
RFI	>	0	

- e. Substrata Number: 4
 Substrata Name: Avail #2 High Dollar Value
 Priority Number: 4
 Estimated Accuracy: 80%
 Variable Accuracy %: 0
 Variable Accuracy \$: 0
 Safety Size: 0

Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
USE	<>	J	AND
USE	<>	U	AND
AVL	=	2	AND
DUP	>	800	AND
RFI	>	0	

- f. Substrata Number: 5
 Substrata Name: Avail #2 DLR
 Priority Number: 5
 Estimated Accuracy: 80%
 Variable Accuracy %: 0
 Variable Accuracy \$: 0
 Safety Size: 0

Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
USE	<>	J	OR
USE	<>	U	OR
ADV	=	5A	OR
ADV	=	5D	OR
ADV	=	5G	OR
ADV	=	5R	OR
ADV	=	5S	OR
ADV	=	5V	OR
ADV	=	5W	OR
ADV	=	5Y	OR
ADV	=	52	OR
ADV	=	53	OR
ADV	=	56	OR
ADV	=	57	AND
AVL	=	2	AND
RFI	>	0	

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- g. Substrata Number: 6
 Substrata Name: Avail. #2 All Other
 Priority Number: 6
 Estimated Accuracy: 80%
 Variable Accuracy %: 0
 Variable Accuracy \$: 0
 Safety Size: 0
 Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
USE	<>	J	AND
USE	<>	U	AND
AVL	=	2	AND
RFI	>	0	

- h. Substrata Number: 7
 Substrata Name: DMI High Dollar Value
 Priority Number: 7
 Estimated Accuracy: 80%
 Variable Accuracy %: 0
 Variable Accuracy \$: 0
 Safety Size: 0
 Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
USE	<>	J	AND
USE	<>	U	AND
DUP	>	800	AND
RFI	>	0	

- i. Substrata Number: 8
 Substrata Name: DMI DLR
 Priority Number: 8
 Estimated Accuracy: 80%
 Variable Accuracy %: 0
 Variable Accuracy \$: 0
 Safety Size: 0
 Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
ADV	=	5A	OR
ADV	=	5D	OR
ADV	=	5G	OR
ADV	=	5R	OR
ADV	=	5S	OR
ADV	=	5V	OR
ADV	=	5W	OR
ADV	=	5Y	OR
ADV	=	52	OR
ADV	=	53	OR
ADV	=	56	OR

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ADV	=	57	OR
RFI	>	0	AND
USE	<>	J	AND
USE	<>	U	

- j. Substrata Number: 9
 Substrata Name: DMI All Others
 Priority Number: 9
 Estimated Accuracy: 80%
 Variable Accuracy %: 0
 Variable Accuracy \$: 0
 Safety Size: 0
 Selection Criteria:

<u>Attribute</u>	<u>Relation</u>	<u>Value</u>	<u>Conjunction</u>
USE	<>	J	AND
USE	<>	U	AND
RFI	>	0	

- k. Strata Number: 1
 Strata Name: Avail. #1 Inv. Acc.
 Strata Description: Combines Substrata 1, 2, and 3 for availability #1.
- l. Strata Number: 2
 Strata Name: Avail. #2 Inv. Acc.
 Strata Description: Combines Substrata 4, 5, and 6 for availability #2.
- m. Strata Number: 3
 Strata Name: All DMI High Dollar Value
 Strata Description: Combines Substrata 1, 4, and 7 for high dollar value DMI.
- n. Strata Number: 4
 Strata Name: All DMI DLR
 Strata Description: Combines Substrata 2, 5, and 8 for all DMI DLRs.
- o. Strata Number: 5
 Strata Name: All DMI Other Material
 Strata Description: Combines Substrata 3, 6, and 9 for all DMI material other than High Dollar Value or DLRs.

2. Verify setup definition. All existing setups must have a "NEW INVENTORY", "ITEMS SELECTED", "COUNTS IN PROGRESS", "HISTORICAL", or "CANCELED" status.

3. Set the "Maximum Dollar Discrepancy" (Code Number DOD) in the Reference Codes Table to equal \$500. This will automatically summarize all adjustments of \$500 or more for management review.

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Special Reporting Requirements

4. Select the inventory sample. After the sample has been selected and the setup has been reviewed to ensure the inventory is correctly defined, print the following MI reports:

Report Name
Setup Definition
Setup Listing
Proposed Item Sample
Rejected Items

5. Print the count cards and conduct inventory. When the inventory is complete, go to setup and click on Reconciliation Complete.

6. Print the following MI reports:

Report Name
MI Final
Statistics
Progress Report
Inventory Adjustment Discrepancies
Adjustment Reason Report
Location Accuracy Report

08423 REPORTING REQUIREMENTS

1. The above reports need not be submitted to NAVSEA, but should be used for management purposes at the shipyards. A summary of DMI and FUM inventories should be provided to NAVSEA in memorandum format (see Section III). Report should be provided by the 15th calendar day following completion of the inventory.

Section III: MI REPORT FORMAT

MATERIAL INVENTORY RESULTS REPORTING

Letter reports, in the format provided below, and printed MI reports should be submitted to NAVSEA 04X2M. Submission of detailed reports of the Setup Listing, Proposed Item Sample, Rejected Items, Inventory Results, Progress Report, and Adjustable Reason Report are not required.

Sample Inventory Reporting Format

Date: _____

From: _____ Naval Shipyard, Code _____

To: Commander, Naval Sea Systems Command (SEA 04X2M), 2531 Jefferson Davis Highway, Arlington, VA 22242-5160

Subj: RESULTS OF MI INVENTORY

Ref: (a) NAVSUP P-723
 (b) NAVSEA ltr 4400 Ser 04X2/169 of 14 Sep 1998

1. In accordance with references (a) and (b) the following MI inventory results are forwarded (circle either "a", "b", "c" or "d", as appropriate, and fill in corresponding data):

- a. 2nd Quarter FY _____ Combined Shop Stores Results.
- b. 4th Quarter FY _____ Combined Shop Stores Results.

(1) SS High Dollar Value (U/P > \$500.00):
TOT ITEMS SEL ITEMS VAL ITEMS #ACC @ 0% VLIA %ACC LOC ACC

(2) SS High Variability Items (SS/STD UI NE to Unit of Buy):
TOT ITEMS SEL ITEMS VAL ITEMS #ACC @ 5% VLIA %ACC LOC ACC

(3) SS All other:
TOT ITEMS SEL ITEMS VAL ITEMS #ACC @ 5% VLIA %ACC LOC ACC

(4) SS Overall:
TOT ITEMS SEL ITEMS VAL ITEMS #ACC @ VLIA TOL %ACC LOC ACC

c. Direct Material Inventory Results Conducted This Quarter: (If this specific inventory includes more than one availability, report all inventory results separately).

(1) DMI High Dollar Value (U/P > \$800.00) this inventory:
TOT ITEMS SEL ITEMS VAL ITEMS #ACC @ 0% VLIA %ACC LOC ACC

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(2) DMI Depot Level Repairables (this inventory):
TOT ITEMS SEL ITEMS VAL ITEMS #ACC @ 0% VLIA %ACC LOC ACC

(3) DMI All Others (this inventory):
TOT ITEMS SEL ITEMS VAL ITEMS #ACC @ 0% VLIA %ACC LOC ACC

(4) DMI Overall (this inventory):
TOT ITEMS SEL ITEMS VAL ITEMS #ACC @ VLIA TOL %ACC LOC ACC

d. 1st Quarter FY _____ Future Use Material

(1) FUM High Dollar Value (U/P > \$800.00):
TOT ITEMS SEL ITEMS VAL ITEMS #ACC @ 0% VLIA %ACC LOC ACC

(2) FUM Depot Level Repairables:
TOT ITEMS SEL ITEMS VAL ITEMS #ACC @ 0% VLIA %ACC LOC ACC

(3) FUM All Others:
TOT ITEMS SEL ITEMS VAL ITEMS #ACC @ 0% VLIA %ACC LOC ACC

(4) FUM Overall:
TOT ITEMS SEL ITEMS VAL ITEMS #ACC @ VLIA TOL %ACC LOC ACC

Signature: _____
Name: _____

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CHAPTER 9: NAVSEA SPECIAL REQUIREMENTS

Part A: Physical Inventory

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CHAPTER 9

NAVSEA SPECIAL REQUIREMENTS

Part A: PHYSICAL INVENTORY

Section I: GENERAL GUIDANCE

09111 SCOPE

1. The policy and guidance in this chapter pertains to Navy shipyards that are not operating under the Distribution Standard System (DSS). These shipyards will follow the policies and guidelines established throughout this publication if it is not specifically mentioned in this chapter. Physical distribution and inventory functions will be conducted by DLA personnel for those shipyards operating under the Distribution Standard System (DSS).
2. Shipyard Inventory Accuracy Officer (IAO) duties and responsibilities are delineated in Part B, Chapter 5.

09112 INVENTORY METHODS

1. Navy shipyards not operating under DSS will conduct inventories by one or more of the following methods:
 - a. Random statistical sampling using the shipyard Material Inventory (MI) program.
 - b. Cycle counting. An inventory accuracy audit technique where inventory is counted on a cyclic schedule rather than once a year. A cycle inventory count is usually taken on a regular, defined basis (often more frequently for high-value or fast-moving items and less frequently for low-value or slow-moving items). Most effective cycle counting systems require the counting of a certain number of items every workday with each item counted at a prescribed frequency. The key purpose of cycle counting is to identify items in error, thus triggering research, identification and elimination of the cause of the errors.
 - c. Complete, or wall-to-wall inventory
2. Due to dwindling resources, the random sample or cycle counting methods are the preferred methods of conducting inventories. Stratification of an inventory can be by sales, demand frequency, unit of issue, value of demands, purpose codes, etc. Variable Line Item Accuracy (VLIA) allows a record to be considered accurate if the count is within a specified tolerance for items where the unit of issue is not equal to the unit of buy. This concept is incorporated into the MI program and is used to measure the inventory accuracy of items that are difficult to count (e.g., unit of issue equals square foot, but unit of buy equals sheet, etc.). A sample MI report can be found in Chapter 8.
3. Results of shipyard scheduled inventories should be forwarded to NAVSEA 04X2M within 15 days of completion of the inventory.

09113 TIME FRAMES FOR ACCOMPLISHING INVENTORIES

1. All cycle inventories must be completed within two days after the cutoff date.
2. Spot inventories (other than those for warehouse refusals) must be completed within 10 days of the request. Adherence to time frames is important to facilitate the reconciliation of counts and to ensure sound supply management decisions. If an inventory is completed beyond these time frames, reconciliation of counts will become increasingly difficult because of the number of transactions that may occur during the course of the inventory thereby making the determination of in-float documents time consuming and ineffectual, increasing overhead costs.
3. Scheduled inventories should be completed within 30 calendar days of the cutoff date.

09114 INVENTORY SCHEDULES

1. Inventory schedules must be developed and approved by the shipyard Supply Officer by 1 October each year. The schedule will be provided to storage, inventory management and record keeping personnel, Internal Review, NAVSEA, and the Inventory Accuracy Officer (IAO). Distribution of the schedule may be expanded to include other affected personnel at the discretion of the Supply Officer. The schedule may be revised as necessary during the year due to operational considerations, but all changes should be carefully coordinated with affected parties to avoid confusion, wasted effort and unnecessary use of overhead resources. Revised inventory schedules will be forwarded to all personnel identified above to ensure appropriate personnel are notified of inventory schedule changes.

Section II: INVENTORY COUNTS AND RESEARCH PROCEDURES

09121 INVENTORY COUNT PROCEDURES

1. Shipyards are authorized to use Variable Line Item Accuracy (VLIA) reporting procedures for items where the unit of issue to the customer is not equal to the unit of buy (e.g., unit of issue is foot, but unit of buy is sheet). Shipyards are authorized a 5% tolerance for items meeting the VLIA criteria.
2. To function efficiently, counters must be familiar with the floor plan and the location marking system for each of the warehouses in which they conduct inventories. Count leaders or supervisors should review output cards or listings for correctness prior to commencing counts.
3. The counter should not know the on-hand balance reflected on the stock record at the time of the inventory. Knowledge of the on-hand balance may compromise the integrity of the count and the validity of the inventory. Also, the counter should not be responsible for reconciling the records for those items that he/she performed an inventory count.
4. When a second or third count is necessary, a different person should conduct these counts. This practice minimizes the chance of perpetuating errors into the second and third counts.
5. For purposes of first counts, the counter may accept the quantity of material noted by the manufacturer as being in the package if there is no indication that the package has been opened. If a package is open or counts are manually noted on the package, the counter must physically count the material. If the counter notices that a factory-sealed package is considerably lighter than other factory-sealed packages for the same item, the counter/material

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handler should open that package and count the material and report to the leader/supervisor. Oxygen clean and hazardous material packages/containers should not be opened.

6. If electrostatic discharge items (e.g., electronic modules, circuit boards) are to be counted, the counter should accept the counts appearing on the packaging for the first count only. If a second or third count is necessary, the supervisor must ensure that authorized grounding devices are employed by counters to preclude damage to the material.

7. To provide greater accuracy, the counter may use electronic pocket calculators. If this suggestion is not practical, the counter may annotate the number of pallets, cartons, and the quantity of material contained in the cartons on the count cards/listings for the inventory personnel to extend the quantity and dollar value of the item(s) subsequent to the count.

8. During second and third counts, the counter should check adjacent locations (i.e., those that are above, below, beside, and in the back) to the particular location appearing on the card or the listing; the material could have been placed in an incorrect location or the material may have fallen. The counter should also check any tote or holding area for the material. If the material is found in an incorrect location or in a tote or holding area, the counter should annotate the card or the listing with the location in which the material was found. The counter should notify the supervisor or a material handler immediately; the counter is not authorized to move the material.

9. As a general practice, counters should obtain available documentation that may be affixed to material when taking second and third counts. If there is more than one copy of the document, pull a copy and fasten it to the count card/listing. If only one copy of the document is available, reproduce it.

10. During second and third counts, counters should annotate the count card or listing with any markings that may appear on the item or the packaging (e.g., document numbers, serial numbers). This information could assist inventory personnel in reconciling the balance with the count.

11. Whenever a counter detects an item in a location that bears a stock number that is different from the one appearing on the count card or listing, the counter should indicate on the count card or listing the incorrect stock number and the quantity of material found under the stock number. The counter should notify warehousing personnel, preferably a supervisor, when commingled assets are found. At that time, the material handler should prepare a label indicating the stock number found in each bin and the quantity of material. The material handler should affix the label to the bin. If the item cannot be identified, the counter should notify the material handler and request assistance from technical personnel. The material handler should affix a tag to the bin as described previously. The counter and the material handler must work together very closely when situations such as these arise. Usually, the inventory personnel will want to request a spot inventory for the stock number of the material found in the bin that was not supposed to be in the bin.

12. When counting lumber, the counter must be aware that variations in length are common for some types of lumber products and that lumber is managed by the board foot. To compute board feet the counter must multiply the width (in inches) and thickness (in inches) of the board together and divide the result by 12. Then multiply that result by the length (in feet). The counter must annotate the number of pieces of lumber that contain the same dimension. All

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dimensions with the number pieces should be noted on the count card or listing. For example:

$$5' \times \frac{1'' \times 6''}{12''} = 2.5 \text{ board feet} \quad 2.5 \times 4 \text{ pieces} = 10 \text{ board feet}$$

$$6' \times \frac{1'' \times 4''}{12''} = 2 \text{ board feet} \quad \frac{2 \times 2 \text{ pieces} = 4 \text{ board feet}}{\text{Total} = 14 \text{ board feet}}$$

Any fractional quantities of the total should be rounded down to the nearest board foot.

13. All counters must sign or initial the count card or listing. The counter must also annotate the date of the count on the count card or listing. Locally, each activity must exercise controls to ensure that all count cards or listings issued to the counters are returned.

14. First counts for regular inventories should be completed within three work days from the cutoff date with the exception of large inventories under MI which should be completed within two weeks. Large inventories are defined as DMI inventories for availabilities whose duration exceeds eight months or 50,000 mandays. Cycle inventories should be completed within two days after the cutoff date. Reconciliation must be completed as quickly as possible to minimize in-float documentation and to facilitate the conducting of research.

15. After taking a second count, the inventory personnel manager/clerk will account for in-float documentation in an attempt to reconcile the balance with the count. If the value of the discrepancy is equal to or greater than the causative research threshold or the discrepancy involves a classified or sensitive item, a third count is required.

09122 PREADJUSTMENT RESEARCH

1. When a discrepancy exists between the actual quantity on-hand and the stock record balance, inventory personnel will research the discrepancy to determine if something happened between the cutoff date and the count date to cause the discrepancy. In-float documentation must be reviewed and accounted for as well as up to 90 days of transaction history. Inventory personnel should look for obvious errors (e.g., duplicate postings that were processed, and transactions posted to reidentify material that processed for a given stock number but did not process for the other stock number).

2. Table 1 displays a matrix of inventory/research requirements for shipyards not operating under DSS.

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Inventory Requirements Matrix					
	Material Type				
	DMI	FUM	Shop Stores	Sensitive	Classified
Recounts	Determine Locally	Determine Locally	Determine Locally	All that do not agree after first count	All that do not agree after first count
Causative Research	\$800*	\$800	\$800	All	All
FLIPL	\$2,500	\$2,500	\$2,500	All	All
Required NAVSEA MI Inventory	Availability > 8 months or 50K mandays	Annually (1st Qtr)	Semi-annually (2nd & 4th Qtrs)	Annually	Annually
Inventory Accuracy	98% (VLIA: UP>\$800=0%) DLR =0%	98% (VLIA: UP>\$800=0%) DLR =0%	95% (VLIA: UP>\$500=0%)	100%	100%
Location Survey Accuracy**	98%	98%	98%	100%	100%
Records Retention (Automated/ Manual)	2 years	2 years	2 years	3 years	3 years
<p>* Causative research is required for all DLR inventory discrepancies, regardless of dollar value.</p> <p>** DLR location survey accuracy requirement is 100%.</p> <p>Note: If the reconciliation effort is successful during the preadjustment research phase, causative research will not be necessary.</p>					

Table 1

3. Table 2 identifies the quarterly inventory requirements of the shipyards.

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Inventory Category	Type of Inventory	Quarter Reported	Goal
Shop Stores	Non-nuclear Inventory Accuracy Non-nuclear Location Validity	2 nd , 4 th 2 nd , 4 th	>=95% >=98%
DMI	Inventory Accuracy Location Validity	>=8 mos.>=50K Mdys >=8 mos.>=50K Mdys	>=98% >=98%
FUM	Inventory Accuracy Location Validity	1 st 1 st	>=98% >=98%

Table 2

09123 CAUSATIVE RESEARCH

1. Causative research is an in-depth investigation of an actual or a potential adjustment to definitely determine the reasons for occurrence. Causative research involves as a minimum a review of all transactions that occurred since the last inventory or one year prior to the date that the inventory adjustment was posted, whichever occurred first. If the adjustment or the potential adjustment involves classified or sensitive material, the activity should research all available history. For Navy Working Capital Funds (NWCF), general supplies, Direct Material Inventory (DMI), Sponsor-Owned Material (SOM), and FUM adjustments (actual and potential) that are considered major, two years worth of transaction history may be reviewed. Major adjustments are defined as adjustments greater than or equal to \$800.

2. Inventory personnel should always process up-to-date inquiries to determine the current asset posture. An extract of the transaction history is also a requirement for conducting causative research.

3. Based on research conducted by the inventory personnel, the following actions may be required to adjust the stock record quantity:

a. If the material was picked and the transaction was processed after the count, accept the count quantity.

b. If the material was picked before the count and the transaction was processed after the count, increase the count quantity by the quantity of the issue.

c. If material was stowed and a receipt transaction was processed before the count, accept the count quantity.

d. If a receipt was put in process before the count and the material was stored after the count, add the receipt quantity to the count.

e. If material was stored before the count, but the receipt was not posted to record until after the count date, subtract the quantity from the count.

4. When inventory personnel adjust the count quantity, never cross out or obliterate the initial count quantity. Instead, indicate the adjusted count. Also state the inventory record balance at the time of the count and indicate the date. If possible, the inventory personnel should list transactions, quantities and the situation responsible for the adjusted count or inventory record. The inventory personnel **MUST** also assign an error classification code from the list provided in Tables 3 and 4.

ERROR CLASSIFICATION CODES

The purpose of assigning error classification codes is to categorize error causes that are attributable to various functional areas within the Supply Department. Error classification analysis should be conducted to determine the reasons for recurrence and to eliminate them. Often it is difficult to determine the root cause of an error because if an error is obvious, it is usually corrected as soon as it is discovered. Therefore, it is important that personnel assigned to research errors understand and accept the often difficult challenge of investigating and determining the causes of errors.

Error causes can be broken down by each shipyard as described below. Each shipyard can assign additional error codes as required to assist in internal error identification, tracking, and reconciliation.

Code Value	Description
A	No conclusive findings (use this only as last resort since it offers management very little help in improving performance)
B	Transfer error
C	Previous inventory adjustments
D	Warehouse error
E	Receipt error
F	Failed to move quantity in/out FRZ/QA/SIP or failed to move quantity in/out NRFI
G	Issue error
H	Shelf life error
I	NAVSEA criteria tolerance

Table 3

Error causes can be broken down further by each shipyard as described below in Table 4. Each shipyard can assign additional error codes and adjustment reason codes as required to assist internal error identification, tracking, and reconciliation.

Code Value	Description
A	No conclusive findings (researched one year/previous inventory without definite cause)
A1	Improperly issuing PEB material
A2	Pilferable material
A3	Bin empty/NIS
A4	New inactive item

Table 4

Code Value	Description
B	TRANSFER ERROR
B1	DMI/SS
B2	SS/DMI
B3	SS/SS
B4	STK/STK
C	PREVIOUS INVENTORY ADJUSTMENT ERROR
C1	Reversal due to inventory count error
C2	Reversal due to audit error
C3	Reversal from spot checks
C4	Reversal from previous inventory
D	WAREHOUSE ERROR
D1	Mixed material
D2	Location error
D3	Material found in unrecorded location
D4	Material incorrectly identified stock number/UI
D5	Bldg ____/Code____ delivered to wrong shop store
D6	Excess material left in location after processing on MM
E	RECEIPT ERROR
E1	Incorrect conversion factor
E2	Receipt processing error (clerical level)
E3	Duplicate input to records
F	FAILED TO MOVE MATERIAL IN/OUT OF FRZ/QA/SIP OR FAILED TO MOVE QUANTITY IN/OUT NRFI
F1	FRZ
F2	QA
F3	SIP
F4	NRFI
G	ISSUE ERROR
G1	Wrong material/stock number
G2	Incorrect quantity
G3	Conversion factor
G4	Duplicate issue/credit transaction
G5	Failure to process issue/credit transaction
G6	Failure to research OHNB notices
H	SHELF LIFE ERROR
H1	Shelf life material not moved, left in location
H2	Shelf life material moved from location but still on MM
I	NAVSEA CRITERIA TOLERANCE

Table 4

5. A transaction trace involves a review of source documentation created from the time of the last inventory or for the past year, whichever occurred first. If the adjustment

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involves classified or sensitive material or the dollar value exceeds \$2,500 for NWCF or SOM (\$100,000 for NSA and APA material) all available history will be reviewed.

6. Inventory personnel must ensure the computations to determine the count is correct and that the unit of issue is considered correctly.

7. Gains that coincide with due-in quantities should be researched for possible errors. If the status shows that the material has been shipped (AS_ transaction received), that the requisition has been referred to a storage activity (BM status), or that there is no status, the counter should verify if any documentation or markings are present with the material to substantiate that the material was received.

8. In reviewing Material Movement Documents (MMDs), the inventory personnel should ensure that a signature appears on the document. Signed copies of the document should signify that the material has been received, therefore, material handlers and customers must return a signed copy of the MMD to the Records Branch. For receipts, a signed delivery manifest may be maintained on file instead of the MMD. The signed MMD, however, is preferable to the delivery manifest since the MMD provides a one-to-one relationship between the actual receipt and the documentation.

9. Losses of material that is used by only one customer should be investigated. Inventory personnel should contact the customer to determine if the material has been received/issued. The customer would have to provide the inventory personnel with the document number. Most likely, the material was issued but the issue transaction was not processed.

10. Receipt documents should be reviewed for proof of receipt. Serial numbers of items received should also be reviewed and verified with the material and the receipt documentation.

11. Large gains or losses of assets may be linked to wrong quantities of material being packaged for shipment. Inventory personnel must examine source documentation very carefully to determine that correct quantities were received and posted. Customers may need to be contacted to verify that correct quantities of material were received. Recounts may be necessary if evidence suggests that packages contain different quantities but the counter(s) did not consider this fact.

12. Inventory personnel should review SDRs and QDRs for inventory discrepancies. Disposition instructions should be reviewed to validate that the material was shipped to the correct activity or that the material was to be disposed of.

13. Careful review of DMI, SOM, and FUM is necessary to ensure that commingled customer requisition numbers were not introduced into the count. Inventory personnel must be aware that transfers may have occurred but assets were not identified with the current MMD.

14. Inventory personnel must be alert for commingled assets among the various accounts. If an inventory person is attempting to reconcile an item that is stored in multiple accounts and detects a shortage in one account and an overage in another and no transaction processing errors are found, have the asset physically transferred from the account having the overage to the one having the shortage. When multiple accounts exist for the item and an out-of-balance condition is detected and the value of the gain or loss is for DMI, FUM, Shop Stores, or SOM, the inventory personnel should request a spot inventory for the other accounts. If resources and time are sufficient, the inventory personnel should request a spot inventory whenever multiple accounts exist regardless of the dollar value of the adjustment.

15. Inventory personnel must be especially careful in reviewing file maintenance transactions that reflect a unit of issue change. An incorrect conversion factor or the failure of the material handler to note the change causes erroneous issues and receipts. Items that have a local unit of issue differing from the standard unit of issue can also cause problems if the conversion factor is not correct or the material handler does not consider the local unit of issue when issuing material.

16. Inventory personnel must assign error classification codes for MI inventories whenever a reconciliation results in an adjustment, or the adjustment is averted either partially or totally. The error classification codes highlight the type of error made and the functional area responsible for the error. For example, the inventory personnel may find during causative research that a receipt quantity was posted incorrectly and that an issue transaction was not processed. In this example, the inventory personnel would assign error classification codes "E" and "G". In other words, the inventory personnel should assign an error classification code for each error detected up to the maximum number that may be entered into the program. Inventory personnel may assign the same error classification code more than once if the error recurs during the research process. See Tables 3 and 4 for explanations of error classification codes.

17. A causative research package must be prepared for each adjustment over the causative research threshold. The causative research package must include the following:

- a. A complete transaction history or an extract that depicts sufficient evidence of why the adjustment was taken.
- b. Copies of documents that substantiate the adjustment or that contain errors. Obtain hard copies of screen images if documentation is stored electronically.
- c. A copy of the count cards or the count listings.
- d. A copy of any suspect documents.
- e. A written summary of the causative research findings. The summary should describe the steps taken in performing the causative research and the conclusions reached. If the findings related to the gain or loss are not conclusive, the individual performing the causative research will assign a probable cause.
- f. An error classification code with an explanation of the code.
- g. The Causative Research Checklist and Inventory Summary Sheet.
- h. A copy of the corrected transaction(s).
- i. A record of the review and the approval of the adjustment.
- j. A copy of the Financial Liability Investigation of Property Loss (FLIPL), if prepared.
- k. A copy of the SITREP/OPREP reporting missing, lost, stolen, or recovered classified items.

18. The Causative Research Checklist and an explanation of items on the checklist is provided below for aid in performing causative research.

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CAUSATIVE RESEARCH CHECKLIST

- | | <u>YES</u> | <u>NO</u> | <u>REMARKS</u> |
|--|------------|-----------|----------------|
| 1. Has there been a prior transaction for a similar quantity? | | | |
| 2. Have all receipt documents been considered?
If so, have receipt documents been found and reviewed? | | | |
| 3. Does the inquiry indicate a receipt due for a similar quantity which has not been posted to the stock record? | | | |
| 4. Have all locations been considered? | | | |
| 5. Have disposal documents been considered? | | | |
| 6. Has the item had a change in:
-identification?
-unit of issue?
-condition code?
-files maintenance | | | |
| 7. Does the quantity per pack lend itself to incorrect issues? | | | |
| 8. Has a SDR or QDR been submitted? If so, has a copy of the SDR or QDR been included in this package? | | | |
| 9. Was the count extended correctly? | | | |
| 10. Is there in-float documentation? Was in-float documentation considered correctly? | | | |
| 11. Was there an adjustment needed? Was the adjustment processed correctly? | | | |
| 12. Does the count indicate an erroneous adjustment? If yes:
a. Was it caused by an erroneous count?
b. Was it a reconciliation error?
c. Has a reversal been processed to correct the records? | | | |

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	<u>YES</u>	<u>NO</u>	<u>REMARKS</u>
13. Has there been a prior inventory adjustment that could have been reversed? (IAO approval required over 90 days.) If yes, has adjustment been reversed now?			
14. Has there been a lost-in-house transaction within the last year?			
15. Has the "shop" been contacted for additional information/data that could affect the quantity?			
16. Has the storekeeper been contacted for additional information?			
17. Has the causative research package been logged in and a cross reference file card prepared or an automated record established?			

CAUSATIVE RESEARCH CHECKLIST EXPLANATIONS**1. Has there been a prior transaction for a similar quantity?**

Check the appropriate block and annotate any remarks. The inventory personnel needs to be especially careful in reviewing such transactions to ensure that a reversal of an issue transaction for instance was not processed as another issue transaction or that duplicate postings do not appear on the record.

2. Have all receipt documents been considered? If so, have receipt documents been found and reviewed?

Check the appropriate block and annotate any remarks. A review of receipt documentation is essential to ensure the correctness of the stock number, quantity, line item number, and call number (if any) are posted.

3. Does the inquiry indicate a receipt due for a similar quantity which has not been posted to the stock record?

Check the appropriate block and annotate any remarks. If causative research reveals a gain of assets that is equivalent to a due-in quantity or is fairly close to the due-in quantity, it is possible that the receipt may not have been posted. If the count team member has not already done so, have the count team member note any contract numbers or requisition numbers that appear on the packaging. These document numbers may lead the inventory personnel to determine that a receipt has not been posted.

4. Have all locations been considered?

Check the appropriate block and annotate any remarks. Ensure that counts reflect primary, secondary, tertiary and other locations as noted on the accountable record. Counters should search tote holding areas, preservation and packaging areas, impound areas or Quality Assurance areas for the material.

5. Have disposal documents been considered?

Check the appropriate block and annotate any remarks. Many activities do not process transfers to the Defense Reutilization and Marketing Office on a timely basis. Consequently, material may be awaiting transfer but balances have already been decremented.

6. Has the item had a change in: identification, unit of issue, condition code, or files maintenance?

Check the appropriate block and annotate any remarks. Transactions that have occurred that fit into any of these categories can create problems in inventory accuracy. If the identity of an item has changed, ensure that the transaction history reflects corresponding transactions. Ensure that the location reflects the correct stock number. If the activity employs a locally developed form to reflect identity changes, does the information contained on the form match that contained in the transaction history? Be suspicious if the reidentification transaction reflects items that have totally different nomenclatures. Have storage personnel move the material if the item has been identified to another that already reflects a valid location? If a change in unit of issue occurs, check to ensure that the conversion factor is correct. Ensure that the bin label reflects the correct unit of issue. Ensure that storage personnel issue the

material correctly. Ensure that the material has been stored in the correct location and is not commingled with material in other accounts. Ensure that the material is not in the preservation and packaging area, in the shop, or in another holding area. If a files maintenance transaction has been processed, ensure that storage personnel have processed the Storage Action Listing. Stock number changes and unit of issue changes warrant close watching.

7. Does the quantity per pack lend itself to incorrect issues?

Check the appropriate block and annotate any remarks. For example, if an item has a unit of issue of “each” but the quantity per pack is “5”, does the storekeeper issue a complete unit pack (i.e., 5 each) or does the storekeeper “break” the quantity unit pack?

8. Has a Supply Discrepancy Report (SDR) or Quality Deficiency Report (QDR) been submitted? If so, has a copy of the SDR or QDR been included in this package?

Check the appropriate block and annotate any remarks. If an activity submits a SDR or QDR and the cognizant activity has provided disposition instructions, have transactions been processed in accordance with those instructions? Is a copy of the shipping document available if the instructions require shipment of the material? Is a disposal directive on file if the instructions request the disposal of the item?

9. Was the count extended correctly?

Check the appropriate block and annotate any remarks. Inventory personnel should always ensure that the count is properly extended. When counters note the number of units that are to be multiplied by a particular number, the inventory personnel should perform the computation. Units of issue expressed in terms other than linear measurements also warrant close scrutiny when checking computations.

10. Is there in-float documentation? Was in-float documentation considered correctly?

Check the appropriate block and annotate any remarks. Failure to consider in-float documentation correctly has become a leading cause for erroneous adjustments. If inventory personnel cannot determine the sequence of events (i.e., before and after count), another count should be considered.

11. Was there an adjustment needed? Was the adjustment processed correctly?

Self-explanatory.

12. Does the count indicate an erroneous adjustment? If yes:

- a. Was it caused by an erroneous count?
- b. Was it a reconciliation error?
- c. Has a reversal been processed to correct the records?

Check the appropriate box and annotate any remarks. The inventory personnel must ensure the correctness of all adjustments processed. By answering the preceding questions and by reviewing the completed work, the inventory personnel may find that the adjustment is incorrect.

13. Has there been a prior inventory adjustment that could have been reversed? If yes, has the adjustment been reversed now?

Check the appropriate box and annotate any remarks. If the inventory personnel detects such an adjustment, the inventory personnel must ensure that documentation is available to substantiate the reversal. Simply because a quantity for which a loss was processed during the previous inventory is equivalent to the quantity gained during the current inventory is insufficient justification for a reversal. The causative research package must contain a copy of the supporting documentation.

14. Has there been a lost-in-house transaction within the last year?

Check the appropriate block and annotate any remarks. If a receipt is processed and evidence suggests that storage personnel have not stored the material, an in-house receipt loss is said to have occurred. If receiving personnel count material by the piece and storeroom personnel signify a shortage of material received, an in-house receipt loss has taken place. If the results of the current inventory indicate a gain that corresponds to an in-house loss quantity, the inventory personnel should become suspicious of the in-house receipt loss.

15. Has the "shop" been contacted for additional information/data that could affect the quantity?

Check the appropriate block and annotate any remarks. Many times when count team members count repairable items in the shops the items are disassembled thereby making the task of identifying and counting the material difficult. The counter must rely on input from shop personnel to determine the identity and the quantity of material in the shop. Shop personnel may also be aware of misidentified material that was introduced into the repair cycle. Shop personnel may also be able to inform the inventory personnel that an item was lost to testing or was incorporated into another item.

16. Has the storekeeper been contacted for additional information?

Check the appropriate block and annotate any remarks. Storekeepers may have knowledge of recently received material that has not been stored, misidentified material, impound area assets, or recently issued assets.

17. Has the causative research package been logged in and a cross reference file card prepared or an automatic record established?

Check the appropriate block and annotate any remarks. Inventory personnel should keep a record of causative research packages to ensure that they are returned promptly. A computerized record is permissible.

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SAMPLE INVENTORY SUMMARY SHEET

Shop Store _____ NSN _____ Noun Name _____

DMI Doc/Cut/Suf Nr. _____ NSN _____ Noun Name _____

Persons Contacted: _____

Discrepancy/Problem:

Action Taken:

Action to be Taken:

Summary:

Error code: _____

Signature Date

Reviewed By Date

09124 ADJUSTMENTS/REVERSALS

1. Inventory personnel will process inventory adjustments. If no formal inventory organization is established, the individuals who perform the reconciliation between the count and the on-hand balance will process the adjustment. Inventory adjustments will be processed prior to the preparation of any Financial Liability Investigation of Property Loss (FLIPL). The IAO must approve all adjustments that meet the requirements specified in paragraph 05122, except that the Supply Officer must approve adjustments for material that has an extended value of \$25,000 or more. Shipyards may require additional reviews and approvals within the Supply Department.

2. Reversals of inventory adjustments may be made when evidence shows that the original adjustment was made in error. Documentation must be available to substantiate the reversal and must be included in the causative research package. Care must be taken when reversing an adjustment in a NWCF, DMI, or SOM account when job orders have been closed.

09125 FINANCIAL LIABILITY INVESTIGATION OF PROPERTY LOSS GUIDELINES

1. Each Department of Defense (DOD) activity is accountable for all supply system stocks and other government property in its possession. The efficient management of these assets is of paramount concern. To ensure the proper accounting for losses as well as gains of selected government property, DOD has developed procedures for the preparation and the processing of Financial Liability Investigation of Property Loss (FLIPL) (DD Form 200). The FLIPL provides a means to document if personal liability or negligence is evident, to impose pecuniary charges and to relieve individuals from accountability.

2. A FLIPL is required in accordance with Chapter 2. In addition, a FLIPL is required for:

a. Losses of bulk petroleum products that exceed the .5 percent tolerance level for gasoline and the .25 percent tolerance level for diesel fuel and fuel oils per reference n.

b. Losses of assets regardless of dollar value for which theft, willful destruction, or gross negligence are suspected.

c. Losses of all organizational property (i.e., foul weather gear) regardless of the dollar value. If an individual turns in foul weather gear that shows signs of damage beyond normal wear and tear, prepare a FLIPL.

Part B: LOCATION SURVEY GUIDELINES**Section I: PREPARATIONS****09211 SCHEDULING**

1. The location survey schedule should be prepared at the same time as the inventory schedule. Revisions to the schedule should be made as necessary. Location surveys are a valuable management tool that may be used to gauge and improve inventory accuracy quickly and efficiently. Wall to wall location surveys are especially useful immediately prior to an important inventory to improve inventory accuracy results. Location surveys should be performed quarterly and in conjunction with other quarterly inventories, where practical. Reports of quarterly location surveys should be forwarded to NAVSEA 04X2M no later than 15 days after the end of the quarter.
2. Coordination with warehousing personnel is necessary to ensure the availability of Material Handling Equipment (MHE), and a qualified operator if necessary. Count team personnel should be MHE qualified to reduce labor costs associated with conducting inventories.

Section II: PERFORMING LOCATION SURVEYS**09221 GENERAL**

1. The location survey crew must verify the following during a location survey:
 - a. Location
 - b. Stock number/document number
 - c. Unit of issue
2. Verification of a stock number/document number means that the location survey crew determines that the stock number/document number of the item in the location matches the stock number/document number appearing on the location survey listing or card deck. In performing the stock number/document number verification, the location crew must also ensure that commingled material is not present in the bin. The location survey crew must also determine that the material is identifiable (i.e., markings or labeling to identify the item).
3. If the location survey crew detects an item that is stored in a location but the location did not appear on the location survey listing or in the card deck, the location survey crew should note the stock number/document number, the unit of issue (if known) and the part number (if known) on the listing or on a separate sheet of paper. If the location survey crew is unable to identify the item, the location survey crew should contact technical personnel to identify the item.
4. If the location survey crew discovered that a location exists for an item and no material is on hand but the item record reflects a quantity, the location survey crew should note this fact.
5. When material is found in a location but the location does not appear on the location survey listing or in the card deck, the location survey crew should annotate and request a spot inventory.

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NAVSEA Special Requirements

6. The location survey crew should never move commingled assets to another location. The location survey crew should notify the material handler, preferably the supervisor. The bin should be tagged as discussed in Section II above. The inventory personnel should request a spot inventory.

09222 CORRECTION OF DISCREPANCIES

1. Storage discrepancies detected during the location survey should be corrected within 10 calendar days after notification by the location survey crew.

09223 REPORTING REQUIREMENTS

1. The location survey reports will be submitted to NAVSEA by the 15th calendar day following the end of the report quarter.

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Accountability. The assignment of duties to an individual which require him/her to assume jurisdiction and continuous security over public funds or public property in his/her physical possession because of his/her position, designation, or assignment. In addition, the accountable person is required to exercise immediate personal supervision of storage, warehouse spaces, maintenance of required records, and the proper disposition of property.

Accountable Officer. An individual appointed by proper authority who maintains item and/or financial records in connection with Government property (irrespective of whether the property is in his/her own possession for use or storage, or is in the possession of others to whom it has been officially entrusted for use or care and safekeeping), and may entail "Financial Liability" for failure to exercise his/her obligation. For supply systems stocks, the Inventory Control Officer is normally assigned this responsibility.

Action Activity. An activity that is responsible for researching and resolving an issuing/packaging discrepancy (SDR) e.g., distribution depot, inventory control point/integrated material manager (ICP/IMM), contract administration office (CAO), packaging control point, International Logistics Control Office (ILCO), or a shipping activity.

Actual Cutoff Date. At the close of business on this date, the stock point record balances of those items under physical inventory will be summarized. Physical count quantities will be compared against these summarized balances after consideration of in-process transactions to determine whether or not the stock record is correct.

Ammunition (or Expendable Ordnance). Those items identified by cognizance symbols -E, -T, 2D, 8S, 8U, and OA.

Appointing Authority. An individual designated in writing by the Approving Authority. The Approving Authority may act as the Appointing Authority. If authorized by the Approving Authority, the Appointing Authority approves/disapproves DD Form 200, Financial Liability Investigation of Property Loss (FLIPL) only when there is no evidence of negligence or abuse. For activities listed in Appendix D, the Appointing Authority's responsibilities will normally be assigned to the Inventory Accuracy Officer. For all other shore activities, the Appointing Authority will normally be the activity's Supply Officer.

Appropriations Purchase Account (APA). An account from which material is procured for stock by an Inventory Control Point directly under appropriations other than Marine Corps appropriations and other than stores included in the Navy Stock Account.

Approving Authority. Normally the Approving Authority is the Commanding Officer. This person approves/disapproves the DD Form 200, FLIPL, and makes a determination to relieve all concerned from responsibility and/or accountability or to approve assessment of financial liability. The Approving Authority can delegate responsibility to the Appointing Authority in writing. When there is evidence of personal responsibility, or the adjustment involves a classified or sensitive item or arms, ammunition and explosives, or the dollar value of the adjustment exceeds \$100,000, the Approving authority responsibility cannot be delegated and must remain with the Commanding Officer.

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Arms. A weapon that will or is designed to expel a projectile or flame by the action of an explosive to include the frame or receiver (e.g., the firing mechanism for 20mm guns) of any such weapon.

Bill of Lading. A document listing material being shipped which is used for receipt acknowledgment by carrier and as a contract for final delivery to the consignee.

Bouncebacks. When the ICP record shows quantity on hand but the storage activity record does not. A requisition sent by the ICP to the storage activity will be automatically sent back to the ICP for referral to another storage activity.

Commercial And Government Entity (CAGE) Code. Commercial contractor identifying number. Cataloged in Defense Logistics Agency Handbook H4/H8 on FEDLOG.

Carrier. A company or corporation engaged in transporting property or persons for compensation.

a. **Common Carrier** operates under a certificate of public convenience and necessity, serving the public impartially.

b. **Contract Carrier** usually is a motor carrier, other than a common carrier, operating under special and individual government contracts or agreements for compensation.

Classified Items. An item that requires special protection in the interest of national security. (See Controlled Inventory Items)

Completed SDR. The status of a SDR when a response has been provided to the SDR originator or the cognizant ILCO for FMS SDRs. The response furnishes the information requested, provides disposition instructions, accepts or rejects liability for the discrepancy, etc.

Concealed Damage/Shortage/Overage/Wrong Item. Damage/Shortage/Overage/Wrong Item that is not evident at the time of delivery but is discovered after the package is opened and the contents are examined.

Constructed Document Number. A number created by a U.S. Government SDR initiator to be used as a pseudo-requisition number when the original number cannot be determined. This is used only to report incorrect item and shipment quantity discrepancies discovered upon opening a sealed vendor pack and is not applicable to Security Assistance purchasers. It is essential that the original contract number be reflected on the SDR to expedite ICP/IMM/depot research. The 14-position constructed document number will contain the reporting activity's DODAAC in the first six positions, followed by the current Julian date (YDDD), and a serial number beginning with "U" for the last four positions, i.e., V04638-8305-U490. When using a constructed document number in a SDR, include fund code and credit-to/bill-to DODAAC, if different from the document number DODAAC. Under DLMS, the U in the serial number is reported separately as a Utilization Code.

Contract Administration Office (CAO). The DOD activity responsible for administering the contract against which the shipment was made. This can be found in Block 10 of the DD Form 250, Material Inspection and Receiving Report, or in Block 7 of the DD Form 1155, Order for Services or Supplies/Request for Quotation.

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Controlled Inventory Items. Those items designated as having characteristics which require that they be identified, accounted for, secured, segregated, or handled in a special manner to insure their safeguard or integrity. Controlled inventory items in descending order of degree of control normally exercised are:

a. **Classified Items.** Material which requires protection in the interest of national security. "Classified Items" include the following Security Codes: A, B, C, D, E, F, G, H, K, L, O, S, and T.

b. **Sensitive Items.** Material which requires a high degree of protection and control due to statutory requirements or regulations, such as arms, ammunition or explosives. Includes the following Security Codes: 1, 2, 3, 4, 5, 6, 8, 9, Q, R, N, and P.

c. **Pilferable Items.** Material having a ready resale value, or application for personal possession and which is, therefore, especially subject to theft. The following Pilferage Codes include: I, J, M, V, W, X, Y, Z, and 7.

Controlled Inventory Item Code. An alpha or a numeric character that designates the degree of physical security required for a particular item.

Control Point (Packaging). An activity designated by a Military Service, DLA or GSA to monitor packaging discrepancies for their respective service/agency.

Cutoff Date. At the close of business on this date, the record balances of those items under physical inventory will be summarized. Physical count quantities will be compared against these summarized balances, after consideration of in-process transactions, to determine whether or not the stock record is correct.

Damage. (Applicable to U.S. Postal Service and Security Assistance shipments only.) Partial or total marring of the appearance or usability of the material for its intended purpose. For Security Assistance, a condition creating impaired item functionality.

Data Element Error. This is the term used to describe those errors identified during location reconciliation which are caused by the mismatch of one or more data elements between the stock point and ICP records.

Defense Distribution Depot. A Defense Logistics Agency activity that receives, stores, and issues wholesale and retail material for DLA and the military services.

Defense Logistics Management System (DLMS). A system governing logistics functional business management standards and practices to include management policy, responsibilities, procedures, rules and electronic data communication standards. These standards support the DOD in the conduct of logistics operations in the areas of supply (to include discrepancy reporting), transportation, contract administration, and finance. The DLMS is not an automated information system; rather it provides an infrastructure for the participative establishment and maintenance of procedural guidance to implement the Department's logistics policy by its user community. For additional information refer to the DOD 4000.25-M, DLMS.

Defense Transportation System (DTS). Military controlled terminal facilities, Air Mobility Command (AMC) controlled airlift, Military Sealift Command (MSC) controlled or arranged sealift and Government controlled air or land transportation.

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Department of Defense Activity Address Code (DODAAC). Service Code plus Unit Identification Code (UIC). Source for DODACC is the DOD Activity Address Directory, DOD 4000.25-6-M.

Direct Delivery. Delivery of material to consignee which is not processed through a controlled terminal or intermediate receiving activity.

Direct Material Inventory (DMI) (Account 1430). Navy Working Capital Fund assets that are ordered for use on a specific project and are held in the custody of the Supply Department until issued to work-in process.

Document Identifier. A mandatory three-digit code in the first three positions of a document which indicates the purpose and the use of the document (i.e., requisition, referral, follow-up, status, etc.)

Duplicate Shipment. A shipment which corresponds exactly to a previous shipment.

Evidence of Shipment. Any legible movement document or receipt, duly signed by a carrier representative, which shows the shipping activity has shipped or released the material in question to a carrier for shipment. Such documents generally show the quantity, NSN, mode of shipment, date of shipment, TCN, notice of availability number/bill of lading/parcel post/insured/registered or certified number, addresses, vessel, or flight number (to the extent possible), name of shipper, carrier, to include weight and cube information and number of pieces.

Financial Liability Investigation of Property Loss (FLIPL). A procedure for determining the cause of gains, losses or damage to Navy property, establishing personal responsibility (if any) and documenting necessary inventory adjustments to stock records. The FLIPL has replaced the Report of Survey. See chapter 2 for instructions on preparation and use of DD Form 200.

Financial Liability Officer. An individual who is appointed in writing by the Appointing Authority to conduct an investigation to determine responsibility for loss, damage, or destruction of Government property when personal responsibility is suspected. Individuals so appointed shall not be the Accountable or Responsible Office or have any direct interest in the property being investigated. The individual shall be a Commissioned Officer; Warrant Officer; enlisted member in grades E-7, E-8, or E-9; or a civilian employee GS-7 or above. However, the Financial Liability Officer is normally senior to the person(s) directly involved with the discrepancy. The Appointing Authority may act as the Financial Liability Officer.

Foreign Military Sales. That portion of U.S. Security Assistance authorize by the Arms Export Control Act, as amended, and conducted on the basis of formal contracts or agreements between the United States Government and an authorized recipient government or international organization.

Future Use Material. Assets that remain after the completion of a customer order and have a foreseeable need within the next 2 years (Account 1423).

Grant Aid (Military Assistance Program). That portion of Security Assistance rendered under the provision of the Foreign Assistance Act of 1968, as amended, which provides defense articles and services to recipients on a nonreimbursable (grant) basis.

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Hazardous Material (DOT Definition). A substance or material which has been determined by the Secretary of Transportation to be capable of posing an unreasonable risk to health, safety, and property when transported in commerce, and which has been so designated.

Honeycombing. The storing or withdrawing of supplies in a manner which results in vacant space that is not usable for storage of other items. It can be caused by (1) withdrawal or issue of stock across the front of the stack instead of row by row from the aisle to the back of the wall, or (2) void spaces within an arrangement of materials on pallets which result in space loss or (3) excessive overhang of stock between stacks from poor palletization.

ICP Record/No Stock Point Record Errors. The term used to describe the situation in which there is an ICP record with a stock balance other than zero, but no corresponding stock point record. It is a location reconciliation Type 1 error.

Incorrect Item. An item received in lieu of the item requisitioned. This is an erroneous item shipped due to shipper error and not an intended interchangeable/substitute item. Also referred to as a wrong item.

Infloat Documentation. See In-process Documentation.

In-house Receipt Loss. The loss of material that has occurred between physical receipt at a stock point and completion of the stock record update. This includes all situations when the stock point has acknowledged receipt through proof of delivery by customer/carrier and/or when recording the receipt as "in-process".

In-process Documentation. That documentation which relates to issues, receipts, and other supply transactions which affect the stock record balance of an item undergoing physical inventory. Positive control of this documentation is required to insure consideration is given to all pre-inventory and post-inventory transactions.

Insurance Item. A shop store item that is maintained to support physical facilities and mission of the shipyard but does not meet the issue criteria for active items. It is automatically recommended for transfer to active status when it experiences the required issue frequency.

Transaction Ledger on Disk (TLOD). A transaction ledger that displays UADPS transactions for the last 18 months.

Interchangeable Item. Interchangeability is a condition which exists when two or more items possess such functional and physical characteristics as to be equivalent in performance and durability and are capable of being exchanged one for the other without alteration of the items themselves or of adjoining items, except for adjustment, and without selection for fit and performance. It includes capability of two or more items or components of equipment to replace each other in a physical or functional environment with negligible modification or loss of efficiency.

International Logistics Control Office, (ILCO). An organization within the U.S. Military Departments which administers the International Logistics Program. The ILCOs are:

- a. U.S. Army Security Assistance Command, New Cumberland, PA
- b. NAVICP International Programs Directorate, Philadelphia, PA

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c. Air Force Security Assistance Center, Wright -Patterson AFB, OH.

Invalid SDR. An SDR that fails to meet the SDR submission criteria or the shipper denies liability for the discrepancy.

Inventory Accuracy Officer. The person responsible for stock point maintenance of accurate inventory records, both item and financial. Specifically, the Inventory Accuracy Officer should give attention to the accuracy of supply data and transaction documentation, compliance of procedures affecting inventory records, and the validity and propriety of inventory accounting documents. The Inventory Accuracy Officer will give special attention to the nature and frequency of inventory adjustments with a view towards determining and correcting their causes. The duties of the Inventory Accuracy Officer are detailed in Chapter 5.

Inventory Control Point. Those Navy activities which serve as the inventory manager (NAVICP, NPFC, NAVTRAEQUIPCEN) of "wholesale" material available for system-wide distribution. Hardware Systems Commands (HSCs) also perform Inventory Control Point functions. Defense Supply Centers (DSCs) are the DLA Inventory Control Points.

Letter of Offer and Acceptance (LOA). The U.S. document by which the U.S. Government offers to sell to a foreign government or international organization defense articles and defense services. The LOA lists the items and/or services, estimated costs, the terms and conditions of sale, and provides for the foreign government's signature to indicate acceptance.

Location. A specific area (e.g., bin, bulk) identified by a nine-digit location code in which material is physically located.

Location Audit Program. The location audit program consists of actions required to assure compatibility between assets in storage and stock point records. (Location Survey) It also consists of actions to check the compatibility of stock point records with ICP records. (Location Reconciliation).

a. **Location Reconciliation.** A match between valid stock point records and ICP records, in order to identify and correct situations where items are on stock point records but not on ICP records or on ICP records but not on stock point records, or where common elements of data do not match. Research of mismatches, including special inventories when required, result in corrective action.

b. **Location Survey.** A physical verification, other than actual count, between actual assets in storage and location data recorded on the stock point record to insure that all assets are properly recorded as to location, identity, condition, and unit of issue.

Location Reconciliation Accuracy. This is a measure of stock point and ICP record accuracy. Discrepancies are based on the number of ICP records with stock balances other than zero and no corresponding stock point record; the number of stock point records with stock balances other than zero and no corresponding ICP record; quantity discrepancies; and the number of records where the stock point and ICP mismatched on one or more of the following data elements: unit of issue; condition code; NSN has been deleted or is under the cognizance of another Inventory Manager; physical security/ pilferage code; shelf-life code. In those cases where there are multiple errors per record, it will be counted as only one error per record.

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Location Record Deletes. The term used to denote the removal or change of a locator record which is a “false location”, i.e., a location that does not represent an actual warehouse location.

Location Record Established. The term used to denote the recording of locations when assets are physically found in storage and no locator record exists, or when the NSN on the material in the warehouse location does not agree with the NSN shown on the recorded locator record.

Location Survey Accuracy. This is a measure of the accuracy of stock point recorded location data with assets physically located in the warehouse. Discrepancies are classified as location deletes, material found in unrecorded location, and changes to elements of recorded data (condition code and unit of issue). Only one error is charged when a location delete, material found in unrecorded location or location record correction is required for the same location. In those cases where the NSN recorded on stock point records differs from the NSN of the actual assets, it will be classified as a material found in unrecorded location.

Major Adjustment. When the total dollar value of physical inventory adjustment gain or loss for a specific stock number exceeds \$5,000 or an adjustment of any value for classified/sensitive items, or an adjustment that exceeds \$2,500 for a pilferable item.

Marking. Application of numbers, nomenclature, letters, labels, tags, colors, or symbols affixed to containers for handling or identification during shipping and storage operations.

Master Stock Item Record (MSIR). A record in the Master Record File (MRF) that contains all the pertinent information and status of each item carried in stock at a stock point.

Material Accountability. The act of safeguarding, answering for, and exercising proper quantitative and physical controls over DOD material, supplies, and equipment in the care and custody of DOD activities.

Material and Supplies (Active). Navy Working Capital Fund assets that are stocked on a demand-history basis to support operations (Account 1421).

Material in Transit (MIT). Material requests (obligations) for which a disbursement has been processed (as a result of bill or expenditure processing) but for which the activity has not processed a receipt.

Material Release Denial. A notification from a distribution activity advising the originator of a material release order or referral order of the failure to ship all or part of the quantity originally ordered because of lack of stock, lack of proper shelf-life, condition change, or item identification, excluding disposal release orders. (Note: This term includes “warehouse refusals” for point of entry requests).

Minor Error. An inventory adjustment that does not meet the criteria for causative research.

Misdirected Material. Material improperly addressed and/or shipped to the wrong destination. Properly addressed material which is incorrectly shipped to the wrong activity while under U.S. government-controlled transportation is a transportation discrepancy reportable under reference (v).

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Mixed Stock. Those locations where two or more NSNs are found in the same container or multiple NSNs are found in the location and at least one of the NSNs is either not recorded on the stock point record or not recorded on the stock record for that location.

Navy-owned Material. For purposes of this instruction, Navy-owned material is identified as follows:

a. **Retail.** Those items funded by Navy Stock Fund (NSF) (BP28) identified by cognizance codes 5L, 5M, 5N, 5P, 9A, 9C, 9D, 9E, 9F, 9G, 9H, 9I, 9J, 9K, 9L, 9M, 9N, 9O, 9Q, 9S, 9V, 9W, 9X, 9Y, 9Z, and items obtained through local purchase.

b. **Wholesale/ICP Managed and Owned.** Those items pushed to stock points and identified by cognizance codes 0I, 0J, 0K, 0L, 0M, 0N, 0O, 0P, 0Q, 0R, 0S, 0U, 0V, 0X, 1B, 1H, 1I, 1Q, 1R, 1V, 1X, 2A, 2B, 2C, 2F, 2J, 2L, 2M, 2O, 2P, 2Q, 2S, 2V, 2W, 2X, 2Z, 3H, 4J, 4K, 4M, 4P, 4R, 4V, 4X, 4Y, 4Z, 5R, 6A, 6B, 6C, 6D, 6H, 6K, 6L, 6M, 6P, 6R, 6V, 6X, 6Y, 7G, 7H, 7N, 7Q, 7R, 7Z, 8A, 8H, 8M, 8N, 8P, and 8X.

Navy Working Capital Fund. A revolving account that finances the procurement and the manufacture of material that is taken up in the Navy Stock Account.

Other Supply Officer (OSO). Transfers of Material between two accountable activities (FIR Reporters), or between CAB (TIR) and Non-CAB (Non-TIR) activities.

Overage. The quantity received is greater than that ordered or shown on the shipping document. A shipping-type overage is not evident on delivery but is discovered when the article of freight as described on the transportation document is opened and the contents are checked.

Packaging. The processes and procedures used to protect material from deterioration, damage, or both. This includes cleaning, drying, preserving, packing, marking and unitization.

Packaging Discrepancy. Any unsatisfactory condition due to improper or inadequate packaging (including preservation, packing, marking, or unitization) and which causes the item, shipment, or package to be vulnerable to loss, delay, or damage.

Packing. Assembly of items into a unit, intermediate or exterior pack with necessary blocking, bracing, cushioning, weatherproofing, and reinforcing.

Physical Inventory. The procedure which determines if the stock point record balance is or is not in agreement with assets on-hand at the storage site. Physical inventory consists of physical counts of the material in the warehouse and comparison of those counts with the stock point record balance after consideration of recent in-process transactions (e.g., receipts, issues). The physical inventory is considered to be "completed" when either the record balance has been determined to be correct or an adjustment is processed.

Physical Inventory Adjustments. The accounting transaction resulting in the correction of a book balance to agree with a physical count of the items. Such adjustments may result from (1) a regularly scheduled physical inventory, (2) a potential discrepancy revealed by a material release denial or location survey, and (3) erroneous capitalization/ decapitalization actions. Excluded are adjustment transactions caused by (1) reidentification of stock, (2) standard price changes, (3) catalog data changes, (4) condition/purpose code changes, and (5) condemnation of material resulting from rebuild and surveillance programs. Adjustment transactions directly

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attributed to computer malfunction, program errors, and correction of computer system time lags will not be categorized as adjustments due to physical inventory.

Physical Inventory Adjustment Reversals. The accounting transaction which provides for the reversal of a physical inventory adjustment through a credit loss or credit gain action.

Physical Inventory Control Period. The period of time during which in-process documents/material are identified and used to determine if the physical count quantity is in agreement with the stock point record balance. The inventory control period is initiated at least five workdays prior to the actual cutoff date but no more than 15 workdays prior to the actual cutoff date. The inventory control period ends upon completion of the physical inventory counts and processing of physical inventory adjustments. Under AIR, there are five days from preliminary to actual cutoff and 30 days from actual cutoff through adjustment processing for scheduled inventories. For unscheduled inventories, the control period is five days plus 15 days.

Physical Inventory Lot/Segment. A subgrouping of the total items (stock numbers, part numbers, or Navy Item Control Numbers (NICN)) in storage for the purpose of physical inventory counting or location survey. The lot/segment is generally by Federal Supply Class, warehousing, picking station, or some form of commodity grouping.

Physical Inventory Research. An investigation of potential or actual discrepancies between physical count and stock point record balances. The purpose of this research is to determine if the record balance is correct and to determine the cause of selected discrepancies. The three types of research are post-count validation, preadjustment research, and causative research.

a. **Causative Research.** An in-depth investigation of certain selected adjustments to determine why they occurred so that corrective actions may be taken. Causative research consists of a complete review of all transactions (to include supporting documentation, catalog change actions, shipment discrepancies, and unposted or rejected documentation) since the last inventory or within the past year, whichever occurs first (i.e., if no inventory has been completed within the past year, all transactions within the past year will be reviewed). The only exception to this rule is that two years of transactions will be reviewed for adjustments in excess of \$100,000. Security officials will be notified when the results of causative research indicate that the adjustment was due to theft. The purpose of causative research is to identify, analyze, and evaluate the cause of inventory discrepancies with the aim of eliminating repetitive errors. Causative research ends when the cause of the discrepancy has been discovered or when, after review of the transactions, no conclusive findings are possible.

b. **Post-count Validation.** A comparison of the physical count with the stock point record balance or another count, with consideration of in-process transactions that have occurred after the actual cutoff date. The purpose of post-count validation is to determine the validity of the count. Post-count validation research ends when the accuracy of the count has been verified or when any necessary recounts have been taken or the discrepancy is \$1,000 or less for non controlled items.

c. **Preadjustment Research.** An investigation of potential discrepancies which involves the consideration of transactions which occurred up to 60 days prior to the preliminary cutoff date, unposted or rejected transactions, and search of temporary location areas to determine the correct balance. Preadjustment research ends when the balance has been verified or the adjustment quantity determined and processed.

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Physical Inventory/Transaction History Codes. Used in physical inventory/transaction history documents to identify the type of inventory being conducted/requested, or to identify requests for/transmissions of custodial balances/transaction history.

a. **Scheduled Inventories.** A physical inventory which is to be conducted on a group of items within a specified period of time according to an established plan. There are five types of scheduled inventories. They are:

(1) **Type "G".** Inventory to be conducted within a specified period of time according to an established plan on controlled items and all other items or categories designated by the DOD Component.

(2) **Type "I" (all supply condition codes).** Initiated by storage activity based on selection and prioritization system model criteria.

(3) **Type "L" (specified supply condition codes).** Initiated by owner for a random statistical sample inventory.

(4) **Type "N" (specified supply condition codes).** Initiated by storage activity for the annual statistical sample inventory.

(5) **Type "P" (specified supply condition codes).** Initiated by storage activity for a random statistical sample inventory.

b. **Unscheduled Inventories.** A physical inventory which is to be conducted on a specific item as the result of a warehouse refusal, bounceback, ICP or locally initiated requests to correct location reconciliation errors, correcting records as a result of material found on station, etc. There are twelve types of unscheduled inventories. They are:

(1) **Type "C" (Special Inventory).** A physical inventory of all supply condition codes initiated by the owner, accountable officer, or storage activity.

(2) **Type "D" (Special Inventory).** A physical inventory of all supply condition codes initiated by the owner as a result of end of day processing imbalances.

(3) **Type "E" (Spot Inventory).** A physical inventory of all supply condition codes initiated by the storage activity or owner as a result of denials.

(4) **Type "H" (Special Inventory).** A physical inventory of all supply condition codes initiated by the owner when an inventory is necessary and the date of last inventory is less than 90 days.

(5) **Type "J" (Special Inventory).** A physical inventory of all supply condition codes initiated by the owner as a result of location reconciliation errors.

(6) **Type "K" (Special Inventory).** A physical inventory of all supply condition codes initiated by the owner as a result of location survey errors.

(7) **Type "M" (Special Inventory).** A physical inventory of all supply condition codes initiated by the storage activity as a result of onhand balance mismatches between the locator and property accountability records.

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(8) Type "R" (Special Inventory). A physical inventory for specified supply condition codes initiated by the storage activity in an effort to resolve a customer Supply Discrepancy Report.

(9) Type "S" (Special Inventory). A physical inventory for specified supply condition codes initiated by the storage activity as part of receipt followup (intransit) resolution process.

(10) Type "T" (Special Inventory). A physical inventory for specified supply condition codes initiated by the storage activity as a result of a disposal release order directing ownership transfer to the Recycling Control Point.

(11) Type "U" (Special Inventory). A physical Inventory for specified supply condition codes initiated by the storage activity for low asset visibility counts by location.

(12) Type "V" (Special Inventory). A physical inventory for specified supply condition codes initiated by the storage activity as a result of a location-level inventory adjustment or exceeding predetermined thresholds.

c. Transaction History Codes. A code used to identify requests for/transmission of custodial balances/transaction history. There are currently two transaction history codes. They are:

(1) Code "W" - Automatic submission of transaction history from storage activity to owner/manager.

(2) Code "X" - Storage activity transaction history requested by owner/manager or transaction history response from storage activity to owner.

PM76. An ICP automated tracking program for unmatched stock-in-transit records. It automates the search of internal ICP files and external stock point files, sends follow ups and processes follow up replies, creates adjustment transactions and triggers write-off recommendations.

Post-inventory Transaction. Any transaction, causing an increase or decrease to stock point records, dated after the established physical inventory cutoff date.

Post-post Transaction. The posting of a transaction to add to or subtract from the stock point record subsequent to physical issue or storage of a stocked item.

Pre-inventory Transaction. Any transaction, causing an increase or decrease to stock point records, dated prior to the established physical inventory cutoff date.

Pre-post Transaction. The addition to or subtraction from the accountable stock record prior to physical issue or stowage of a stocked item.

Preservation. Application of protective measures to prevent deterioration including, as applicable, the use of preservatives, protective wrappings, cushioning, interior containers and complete identification marking up to but not including the exterior shipping container.

Product Quality Deficiency. A defect or nonconforming condition which limits or prohibits the product from fulfilling its intended purpose. Included are deficiencies in design, specification,

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material, manufacturing, and workmanship. **Reportable as an item deficiency on an SDR only for Security Assistance shipments.** For U.S. Government shipments, product quality deficiencies are reportable on Standard Form 368, Quality Deficiency Report (QDR).

Proof of Delivery (POD). A legible date and signature of the designated receiver listed on the delivery manifest, certifying the item was received. Proof of delivery must also reflect the number of cases/containers received to agree with number shown on supply documentation and actual weight received within weight-range variations. The proof of delivery establishes transfer of custody and liability to the receiver. In the case of nonreceipt SDRs, the DOD ICP/IMM/shipping depot and GSA are required only to provide evidence of shipment.

Proof of Shipment (POS). Information posted to the Requisition Status File or available on the hardcopy shipping document that serves as proof that the shipping activity released the shipment for onward movement to the consignee. Proof of Shipment will include, as a minimum, the Mode of Shipment and the date the shipment was released [traceable shipments will also include the Transportation Control Number (TCN) or Commercial (CBL) Government Bill of Lading (GBL) of the shipment].

Proof of Transfer (POT). Confirmation of custody transfer to an ATAC agent (signed copy of DD Form 1348-1 or locally prepared manifest). A valid POT includes: badge number of employee completing transfer and date of transfer.

Property Accountability Record. The official record for tangible personal property, including inventory, owned by the Department of Defense which is maintained to identify the quantity of an item on hand, unit price, location, physical condition, receipt, issue, authorized stock number, item description, and other such information necessary to properly account for materiel and exercise other inventory management responsibilities. This record is maintained by the storage activity having custody of the material.

Quantity Unit Pack. Numeric character only that denotes the number of units of issue contained in the unit pack.

Random Sampling. A statistical process that allows every item in a given population to have an equal probability of being selected in a sample of the population.

Ready Supply Store. A shop-store-type organization established at one Navy activity to furnish material needed in current operations, but is supported and accounted for by another activity. Stocks are carried on financial inventory ledgers only, as SAC 203.

Reconciliation, Physical Inventory. To compare the physical count and record balance by accounting for all infloat transactions.

Record. For location reconciliation purposes, a record is considered as each condition code, purpose code, and cog of a stock number for each stock point.

Report of Discrepancy (ROD). Former term used to describe shipping/issuing discrepancies. Replaced by the term Supply Discrepancy Report (SDR).

Responsibility. The obligation placed upon an individual by law, lawful order, regulation, or custom of the service to exercise custody, care, protection, and keeping of property, records, or funds entrusted to his/her possession or under his/her supervision and to carry forward an

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assigned task to a successful conclusion.

Responsible Officer. An individual appointed by proper authority to exercise custody, care and safekeeping of property entrusted to his/her possession or under his/her supervision. This may include financial liability for losses occurring because of failure to exercise this obligation. For Supply System Stocks, the Storage or Material Officer is normally assigned this responsibility. For Property Book Material, the Responsible Officer will be a second level supervisor or higher in the chain of command.

Reviewing Authority. An individual designated in writing by the approving authority to review and analyze the results of supply system stock research.

Scheduled Inventory. A physical inventory of a selected group of items within a given period of time according to a predetermined plan.

Security Assistance. A group of programs, including Grant Aid and FMS, authorized by the Foreign Assistance Act of 1961, as amended and the Arms Export Control Act, as amended, or other related statutes by which the United States provides defense articles, military training, and other defense related services, by grant, credit, cash sale, lease or loan, in furtherance of national policies and objective.

Sensitive Material. Material that requires a high degree of protection and control because of statutory requirements. Examples of sensitive items are: narcotics and drug abuse items, precious metals, hazardous items, radioactive items, arms, ammunition and explosives, demolition material. (Accounts 6021 and 6022).

Servmart. A self-service supermarket for fast-moving, low-dollar value items maintained on financial inventory ledgers in SAC 260.

Shelf Life Item. An item possessing deteriorative or unstable characteristics to the degree that a storage time period must be assigned to assure that it will perform satisfactorily in service.

Shipment. The movement of material from point of origin to destination by any mode.

Shipper (Issuer). Any organization or activity that furnishes or delivers material to a carrier for movement. The shipper may be a military organization or activity, another government agency or a manufacturer or vendor.

Shipping (Item) Discrepancy. Any variation in quantity or condition of material received from that shown on the covering authorized shipping documents, e.g., DD Form 1348-1A, purchase order, etc. This includes incorrect and misdirected material, receipt of canceled requirements, improper, inadequate technical or supply documentation, or other discrepancies as enumerated in this guidance and not the result of a transportation error or product quality deficiency.

Shop Store. A retail issuing outlet located at a Navy activity to furnish material needed in current operations. Stocks are carried on financial inventory ledgers only, in SAC 203.

Shortage. When the quantity received is less than that ordered or shown on the shipping document. A shipping-type shortage is not evident on delivery but is discovered when the article of freight as described on the transportation document is opened and the contents are checked.

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SITNET. An automated screen driven on-line transaction processing system used for tracking, controlling and resolving unmatched SIT issue transactions (SIT SDRs).

SIT SDR/ROD. An electronic or printed report sent by the Naval Inventory Control Point to a stock point or commercial or other service repair facility to obtain information to resolve unmatched Stock-in-Transit issue transactions.

Sponsor-Owned Material (SOM). Material not funded by the Navy Working Capital Fund that may be ordered by citing the funds of the customer. For the purposes of this instruction, Sponsor Furnished Material that is “pushed in” by the customer for use on the customer’s project is included in this definition. (Accounts 6021 and 6022).

Spot Inventory. An unscheduled inventory resulting from a warehouse refusal, bounceback, error condition, management request, or location survey. See Unscheduled Inventories.

Stock-In-Transit (SIT). Navy supply system material (ICP Managed) in transit between two Navy Centralized Accounting and Billing (CAB) activities. Commercial contractors are also considered CAB activities. SIT includes stock redistributions, stock referrals, retrograde transshipments and returns from commercial or other service repair facilities.

Stock Point. Those Navy shore activities (e.g., Naval Air Station, Naval Weapon Station) procuring and accounting for Navy Working Capital Fund material which are required to conduct and report physical inventories, location surveys, and quality control checks for Navy-owned material stored in a Navy-owned warehouse.

Stock Point Record. The record at a stock point site in which on-hand balances, transactions affecting those balances, and catalog data are kept, regardless of whether these records are computerized or maintained manually.

Storage Activity. A Navy installation that warehouses Navy-owned material. Includes FISC partner sites and other non-partnered Navy activities. The FISC is the liaison between the NAVICP and the co-located DLA Distribution Depot (DD) for Navy-owned wholesale material. The FISC is also responsible for monitoring the inventory integrity of FISC-owned (retail) material at the co-located DD.

Substitute Item. An item authorized for issue instead of a standard item of like nature and quality.

Supply Discrepancy. Errors reportable under this instruction. This includes any variation in goods received from data shown on the shipping documents (GSA or DD 1348-1A; requisition; invoice/shipping document; authorized procurement delivery documents or vendor’s packing list or other authorized shipping documents) which is not the result of a transportation discrepancy or product quality deficiency. Supply discrepancies encompass variations in condition or quantity, incorrect and misdirected material, receipt of canceled requirements, improper or inadequate technical data or supply documentation, and any unsatisfactory condition due to improper packaging which causes the material to be vulnerable to loss, delay or damage, or which imposes unnecessary expense to the U.S. Government; e.g., excessive packaging.

Supply Discrepancy Report (SDR). A manual form (SF 364) or its electronic equivalent used

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to report a supply discrepancy or other type of discrepancy specifically authorized by SECNAVINST 4355.18A, e.g., specific types of product quality (including quality of service) or billing discrepancies in Security Assistance shipments. Also referred to as Report of Discrepancy (ROD).

Supply System Stock. Those inventories where a stock record is required to be maintained, showing by item the receipt, issue, and disposal of property, the balances on-hand, and other such identifying or stock control data as may be required. This includes in-stores wholesale and retail inventories financed by stock funds, as well as inventories financed by other appropriations.

Total Item Property Record. The record or record set maintained by the Integrated Material Manager that identifies the quantity, condition, and value of the item for each organizational entity having physical custody of these assets. The total item property record includes, as a minimum, materiel that is due in, in transit, in organic wholesale repair facilities, in a contractor's custody, on loan, on hand in wholesale distribution centers, on hand at retail activities, and for reported assets in the custody of users.

Total Nonreceipt. Complete nonreceipt of item(s) shipped.

Traceable Shipment. All modes of shipment, with the exception of parcel post, mail (registered/certified mail is traceable) and local delivery are considered traceable when a specific shipment number (GBL, CBL, TCN, etc.) is assigned and posted.

Transaction Item Report (TIR). A mechanical transmission from a CAB activity to an ICP reporting a change in stock position such as an issue, receipt, or adjustment.

Transportation Discrepancies. Any variation in quantity or condition of material received from that shown in the piece count by type of transportation pack on the Bill of Lading or governing transportation document; or if material is delivered without documentation and other deficiencies or discrepancies, e.g., improper or inadequate carrier handling

Unitization. Assembly of packs of one or more line items of supply into a single load in such a manner that the load can be handled as a unit through the distribution system. Unitization (unitized loads/unit loads) encompasses consolidation in a container, placement on a pallet or load base, or securely binding together.

Unit of Issue. A two-position alphabetic code that denotes the physical measurement used to dispense an item.

Unreconciled Balance (URB). A discrepancy between two databases where one database is missing transactions that were passed from the other database due to process, telecommunications, or systemic problems.

Unresolved Discrepancy. A discrepancy between the Stock or Property Book Material Record and the physical status of material in storage or in base operating supplies, for which no evidence of paperwork or bookkeeping failure is found during preliminary or causative research.

Valid/Validated SDR. A SDR that has been accepted for processing by the shipper and the shipper accepts liability for the discrepancy.

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Value of Inventory. The dollar value of all items in storage at the stock point. This is the combined value of all NSA and APA material. Centralized Accounting and Billing (CAB) activities will use the ICP mini-FIRs to determine the value of CAB items. Fuel and shop store/ready supply stores will use the opening value plus receipts, minus issues, and adjust for stock transfers, if applicable, to determine value of inventory at the time of actual cutoff.

Variable Line Item Accuracy (VLIA). The percent of items with physical inventory counts within plus or minus the specified variable percentage of the reconciled cutoff stock record quantity.

Warehouse Refusal. A condition caused by the inability of a stock point to satisfy a demand (customer requisition) because the required material available on the stock record is not physically onhand or cannot be located.

APPENDIX B

CODES

CONTROLLED INVENTORY ITEM CODES

A table of codes indicating the security classification and/or security risk or pilferage controls for storage and transportation of DOD assets. These codes and an explanation of each code are as follows:

a. CLASSIFIED ITEMS CODE: A code indicating the material requires protection in the interest of national security in accordance with the provisions of DOD 5200.1-R, Information Security Program.

Code	Explanation
A	Confidential - Formerly Restricted Data
B	Confidential - Restricted Data
C	Confidential
D	Confidential - Cryptologic
E	Secret - Cryptologic
F	Top Secret - Cryptologic
G	Secret - Formerly Restricted Data
H	Secret - Restricted Data
K	Top Secret - Formerly Restricted Data
L	Top Secret - Restricted Data
O	Item contains naval nuclear propulsion information; disposal and access limitations are identified in NAVSEAINST C5511.32. Store and handle in a manner which will preclude unauthorized access to this material.
S	Secret
T	Top Secret
U	Unclassified

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b. SENSITIVE ITEMS CODE: Material which requires a high degree of protection and control due to statutory requirements or regulations, such as narcotics and drug abuse items; precious metals; items which are of high value, highly technical or of a hazardous nature; and small arms, ammunition, explosives and demolition material.

Code	Explanation
1	Highest Sensitivity (Category I) - Non-nuclear missiles and rockets in a ready-to-fire configuration (e.g., Hamlet, Redeye, Stinger, Dragon, LAW, Viper) and explosive rounds for non-nuclear missiles and rockets. This category also applies in situations where the launcher (tube) and the explosive rounds, though not in a ready-to-fire configuration, are jointly stored or transported.
2	High Sensitivity (Category II) - Arms, Ammunition and Explosives.
3	Moderate Sensitivity (Category III) - Arms, Ammunition and Explosives.
4	Low Sensitivity (Category IV) - Arms, Ammunition and Explosives.
5	Highest Sensitivity (Category I) - Arms, Ammunition and Explosives with a physical security classification of Secret.
6	Highest Sensitivity (Category I) - Arms, Ammunition and Explosives with a physical security classification of Confidential.
8	High Sensitivity (Category II) - Arms, Ammunition and Explosives with a physical security classification of Confidential.
9	This code identifies an item as a Controlled Cryptographic Item (CCI). CCI is described as secure telecommunications or information handling equipment, associated cryptographic component, or other hardware item which performs a critical COMSEC function. Items so designated are unclassified but controlled, and will bear the designation "Controlled Cryptographic Item or CCI."
N	Firearms.
P	Ammunition and explosives.
Q	A drug or other controlled substance designated as a Schedule III, IV, or V item, in accordance with the Controlled Substance Act of 1970. Other sensitive items requiring limited access storage.
R	Precious Metals, a drug or other controlled substance designated as a Schedule I or II item, in accordance with the Controlled Substance Act of 1970. Other selected sensitive items requiring storage in a vault or safe.

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c. PILFERAGE CODE: A code indicating the material has a ready resale value or civilian application for personal possession and, therefore, is especially subject to theft.

Code	Explanation
I	Aircraft engine equipment and parts.
J	Pilferage – Pilferage controls may be designated by the coding activity to Items coded U (unclassified) by recording the item to J.
M	Handtools and shop equipment.
V	Individual clothing and equipment.
W	Office machines.
X	Photographic equipment and supplies.
Y	Communication/electronic equipment and parts.
Z	Vehicular equipment and parts.
7	Item assigned a Demilitarization Code other than A, B, or Q for which Another CIIC is inappropriate. The loss, theft, unlawful disposition, and/or Recovery of an item in this category will be investigated in accordance with DOD 4000.25-2-M and DOD 7200.10-M.

VALID DEMILITARIZATION CODE AND CIIC CODE COMBINATIONS

IF THE DEMIL CODE IS:

THE ALLOWABLE CIICs ARE:

P	A, B, C, D, E, F, G, H, K, L, S, T, 5, 6, 8, (5, 6, 8 = small arms, NOT Ammunition, Explosives, Dangerous Articles)
A, B, Q	1, 2, 3, 4, 9, J, I, M, N, O, P, Q, R, U, V, W, X, Y, Z
C, D, E, F	1, 2, 3, 4, 7, 9, J, I, M, N, O, P, Q, R, V, W, X, Y, Z
G	1, 2, 3, 4, 5, 6, 7, 8, 9, A, B, C, D, E, F, G, H, J, K, L, M, N, O, P, Q, R, S, T, V, W, X, Y, Z (5, 6, 8 = Ammunition, Explosives, Dangerous Articles, NOT Small Arms)

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Cross Reference...

Appendix C

APPENDIX C

CROSS REFERENCE BETWEEN
FIR CODE / FUND CODE / PX06 SGL ACCOUNTS /
MFCS GL ACCOUNTS

Account Name	UADPS FIR Code	Fund Code	UICP PX06 SGL Acct	UICP MFCS GL Acct
Physical Inventory Gain	D4 *	2F	719111	15291K
Incoming Shipment Gain	D5 *	3F	719112	15291L
Adjustment of Unmatched Documents - Gain (SIT)	None**	1E	719116	1529PA
ICP Data File Adjustments - Gain (from ICP URBs)	None**	7D	719126	1529PC
MSIR Data File Adjustments - Gain (from UADPS URBs)	EA	7H	719129	1529PG
Physical Inventory Loss	M4 *	2F	729111	1529UA
Incoming Shipment Loss	M5 *	3F	729112	15291V
Inventory Loss due to fire, theft, shrinkage	M6 *	7B	729114	721011
Adjustment of Unmatched Documents - Loss (SIT)	None**	1E	729116	1529ZB
ICP Data File Adjustments - Loss (from ICP URBs)	None**	7D	729126	1529ZE
MSIR Data File Adjustments - Loss (from FISC URBs)	NA	7H	729129	1529ZG

*These accounts are used in calculating a portion of the surcharge for supplies and material.

**ICP use only.

APPENDIX D**REPORTING ACTIVITIES FOR GENERAL SUPPLIES****FISCs/Partner Sites**FISC Norfolk (DSS)

SIMA Norfolk
 NADEP Jacksonville Detachment
 Atlantic Flt HQ Support Activity
 Regional Maintenance Pump & Motor RRC
 Washington Navy Yard
 NAS Brunswick
 NAS Keflavik
 NAS Norfolk
 NAS Oceana
 NAS Sigonella
 NWS Yorktown
 NWS Earle
 NSA Naples
 NAVSTA Rota
 NSY Norfolk
 NSY Portsmouth
 SMSD
 Cheatam Annex

FISC Jacksonville (DSS)

NAS Corpus Christi
 NAS Jacksonville
 NAS Key West
 NAS Kingsville
 NAS Meridian
 NAS Pensacola
 NAS Cecil Field
 NAS Sherman Field
 NAS Whiting Field
 NADEP Jacksonville
 NAVSTA Roosevelt Roads
 NAVSTA Ingelside
 NAVSTA Mayport
 NAVSTA Guantanamo

FISC San Diego (DSS)

NAS North Island
 NAS Lemoore
 NADEP North Island
 SIMA San Diego
 NAWS Pt. Mugu
 NAWS China Lake
 MCAS Miramar
 MCAS Yuma
 CNARF/JRB Ft. Worth
 CNARF/JRB New Orleans
 CNARF/JRB Willow Grove
 CNARF/JRB Stewart
 CNARF/NAF Washington
 CNARF/NAS Atlanta
 CNARF/NAR Santa Clara

FISC Pearl Harbor (DSS)

Naval Activities Marians (Guam)(DSS)
 Marine Corps Base, HI (Kaneohe)(DSS)
 NSY Pearl (Nuclear)(DSS)
 NSY Pearl (Non-Nuclear)(DSS)

FISC Yokosuka (DSS)

MCAS Iwakuni
 NAF Atsugi
 NAF Misawa
 CFAS Sasebo (DSS)
 CFAO Okinawa

FISC Puget Sound (DSS)

Ready Supply Store
 NAS Whidbey Island
 NAVIMFAC Bangor
 Naval Radio Station
 FISC Puget Sound Public Works

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Reporting Activities

Appendix D

Other Navy Activities

NAVICP Mechanicsburg

NAVICP Philadelphia

MCAS Cherry Point (DSS)

NAS Corpus Christi

NAS Patuxent River

NAVAIRWARCEN Lakehurst

NSY Puget Sound

Subase Supply Ops New London

NAVSURFWARCENDIV Indian Head

NAVSURFWARCENDIV Crane

SWFLANT Kings Bay

TRIREFFAC Kings Bay

CBC Gulfport

CBC Port Hueneme