



COMDTCHANGE NOTE 4400

NOV 20, 2014

COMMANDANT CHANGE NOTICE 4400

Subj: CH-1 TO THE SUPPLY POLICY AND PROCEDURES MANUAL (SPPM), COMDTINST M4400.19B

1. PURPOSE. This Commandant Change Notice publishes a change to the Supply Policy and Procedures Manual (SPPM), COMDTINST M4400.19B.
2. ACTION. All Coast Guard unit commanders, commanding officers, officers-in-charge, deputy/assistant commandants, and chiefs of headquarters staff elements must comply with the provisions of this Commandant Change Notice. Internet release is authorized.
3. DIRECTIVES AFFECTED. With the addition of this Commandant Change Notice, the Supply Policy and Procedures Manual (SPPM), COMDTINST M4400.19B, is updated.
4. DISCLAIMER. This guidance is not a substitute for applicable legal requirements, nor is it itself a rule. It is intended to provide operational guidance for Coast Guard personnel and is not intended to, nor does it, impose legally-binding requirements on any party outside the Coast Guard.
5. MAJOR CHANGES. These policy changes reflect new requirements in conducting the periodic physical Operating Materials and Supplies (OM&S) inventory. Internal processes and procedures are to be updated to comply with these policy changes. The major changes include:
 - a. Removed the name of any specific inventory management system. Included “current inventory management system of record” where appropriate.

DISTRIBUTION – SDL No. 165

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	y	z
A	X	X		X	X	X	X	X	X	X		X	X	X	X	X	x-X		X		X	X				
B	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
C	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
D	X	X	X	X	X	X	X	X	X	X	X	X	X						X	X		X	X	X	X	X
E	X	X	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	
F																										
G		X	X	X	X																					
H	X	X	X	X	X	X	X	X																		

NON-STANDARD DISTRIBUTION:

- b. Directs readers to the current inventory management system of record for specific procedures on performing the physical inventory.
 - c. Added validation of OM&S item price as a required procedure when conducting a physical inventory.
 - d. Reduced time standard of the Statistical Random Sample to 15 days.
 - e. Changed time requirement for wall-to-wall inventory to be complete within 20 days when a unit fails two consecutive statistical random samples.
 - f. Added the authority of the Physical Inventory Control Officer, Commanding Officer, Officer in Charge, or Commandant (CG-441) to require a Statistical Random Sample, Spot Count, or Wall-To-Wall inventory when deemed appropriate.
6. IMPACT ASSESSMENT. This policy does not impose new tasking or change existing tasking to operational commands.
7. ENVIRONMENTAL ASPECT AND IMPACT CONSIDERATIONS.
- a. The development of this policy has been thoroughly reviewed by the originating office in conjunction with the Office of Environmental Management, and is categorically excluded (CE) under current USCG CE # 1 from further environmental analysis, in accordance with Section 2.B.2 and Figure 2-1 of the National Environmental Policy Act Implementing Procedures and Policy for Considering Environmental Impacts, COMDTINST M16475.1 (series). Because this Policy contains guidance on, and provisions for, managing Coast Guard enterprise requirements and this is a routine administrative activity, Coast Guard categorical exclusion #1 is appropriate.
 - b. This directive will not have any of the following: significant cumulative impacts on the human environment; substantial controversy or substantial change to existing environmental conditions; or inconsistencies with any Federal, State, or local laws or administrative determinations relating to the environment. All future specific actions resulting from the general policies in this must be individually evaluated for compliance with the National Environmental Policy Act (NEPA), DHS and Coast Guard NEPA policy, and compliance with all other environmental mandates.
8. DISTRIBUTION. No paper distribution will be made of this Commandant Change Notice. An electronic version will be located on the following Commandant (CG-612) web sites: Internet: <http://www.uscg.mil/directives/>, and CG Portal: <https://cgportal2.uscg.mil/library/directives/SitePages/Home.aspx>.

9. PROCEDURE. If maintaining a paper library remove and replace the following sections of the Supply Policy and Procedures Manual (SPPM), COMDTINST M4410.19B:

REMOVE

Table of Contents pages v-vi
 Table of Contents pages xv-xvi
 Chapter 3-E
 Page F-15

INSERT

Table of Contents pages v-vi
 Table of Contents pages xv-xvi
 Chapter 3-E
 Blank page

10. RECORDS MANAGEMENT CONSIDERATIONS. This Commandant Change Notice has been evaluated for potential records management impacts. The development of this Commandant Change Notice has been thoroughly reviewed during the directives clearance process, and it has been determined there are no further records scheduling requirements, in accordance with Federal Records Act, 44 U.S.C. 3101 et seq., National Archives and Records Administration (NARA) requirements, and the Information and Life Cycle Management Manual, COMDTINST M5212.12 (series). This policy does not have any significant or substantial change to existing records management requirements.
11. FORMS/REPORTS. The forms referenced in this Commandant Change Notice are available in USCG Electronic Forms on the Standard Workstation or on the Internet: <http://www.uscg.mil/forms/>, CGPortal at <https://cgportal.uscg.mil/delivery/Satellite/uscg/References>; and Intranet at <http://cgweb.comdt.uscg.mil/CGForms>. The DoD forms (DD) can be found using this link: <http://www.dtic.mil/whs/directives/infomgt/forms/index.htm>. Standard Forms (SF) can be found using this link: <http://www.gsa.gov/portal/forms/type/TOP>.
12. REQUEST FOR CHANGES. Recommendations for changes and improvements to this Policy must be submitted via the chain of command to the Logistics Program Management Division, Commandant (CG-441).

M. J. HAYCOCK /s/
 Rear Admiral, U.S. Coast Guard
 Assistant Commandant for Engineering and
 Logistics

SUPPLY POLICY AND PROCEDURES MANUAL

(SPPM)

TABLE OF CONTENTS

CHAPTER 2:	MATERIEL ACQUISITION (<i>cont.</i>)		
	H	Centralized Supply Management of Engines for Cutters and Standard Boats (<i>cont.</i>)	
		Engine Remanufacture under the CEO Program	2-H-3
		Warranty Engine Repair	2-H-3
		Non-Warranty Engine Repair	2-H-3
		Current Engines in the CEO Program	2-H-3
CHAPTER 3	MATERIEL MANAGEMENT		
	A	Overview	
		Introduction	3-A-1
	B	Materiel Identification	
		Introduction	3-B-1
		General Process for Item Identification	3-B-2
		The Federal Catalog System (FCS)	3-B-7
		The Coast Guard Cataloging Responsibilities	3-B-13
		Federal Logistics Information System (FLIS)	3-B-16
		Federal Logistics (FEDLOG) Data and Other Publication used by Field Units	3-B-17
	C	Inventory Management	
		Introduction	3-C-1
		Coast Guard Inventory	3-C-2
	D	Determining Stock Requirements and Replenishment Quantities	
		Introduction	3-D-1
		Determining Stock Requirements	3-D-1

SUPPLY POLICY AND PROCEDURES MANUAL (SPPM) TABLE OF CONTENTS

CHAPTER 3	MATERIEL MANAGEMENT <i>(cont.)</i>	
D	Determining Stock Requirements and Replenishment Quantities <i>(cont.)</i>	
	Determining Replenishment Quantities	3-D-6
E	Physical Inventory Requirements	
	Policy	3-E-1
	Responsibilities	3-E-2
	Physical Inventory Scheduling	3-E-4
	Physical Inventory Preparation	3-E-4
	Physical Inventory Count	3-E-6
	Physical Inventory Reconciliation	3-E-7
	Physical Inventory Report	3-E-10
	Physical Inventory Documentation	3-E-10
	Wall-to-Wall Inventory	3-E-11
F	Shelf-Life	
	Introduction	3-F-1
	Shelf-Life Acquisition and Procurement	3-F-3
	Requisitioning, Issue, and Shipment of Shelf-Life Items	3-F-3
	Receiving, Storage, Surveillance, and Extensions of Shelf-Life Items	3-F-3
	Materiel Disposition and Disposal of Shelf-Life Items	3-F-6
	Materiel Quality Control Storage Standards (MQCSS) Program	3-F-8
G	Stock Record and Documentation Management	
	Introduction	3-G-1
	Data Requirements for Stock Record Systems	3-G-1

SUPPLY POLICY AND PROCEDURES MANUAL

(SPPM)

TABLE OF CONTENTS

ENCLOSURES (cont.)

E	INSTRUCTIONS AND SAMPLE MESSAGES & FORMATS (cont.)	
	Requisition and Invoice/Shipping Document (DD Form-1149) for Temporary Storage	3-E-58
	SERVMART Shopping List (SSL)	3-E-60
	Supply Discrepancy Report (SF-364)	3-E-62
	Unit Assessment Checklist	3-E-72
	Casualty Reporting Procedures (CASREP) Reporting Plain Language Addresses (PLAs)	3-E-79
	AF_ Formatted Message Follow-Up	3-E-82
	AF_ Narrative Message Follow-Up	3-E-83
	BK2 Narrative Message	3-E-84
	BK2 Message (80 cc)	3-E-85
	Canceling Non-NSN Requisition via Narrative Messages	3-E-86
	MILSTRIP Message with Exception Data	3-E-87
	MILSTRIP Message Requisition for Navigational Charts, Maps, and Related Materiel	3-E-88
	Outstanding MILSTRIP Requisitions	3-E-90
	Regular Shipment Status by Message	3-E-91
	Routine MILSTRIP Message	3-E-92
F	TABLES AND CHART	
	ALMIS	3-F-1
	ARMS	3-F-2
	Accounting for Fuel	3-F-3

SUPPLY POLICY AND PROCEDURES MANUAL

(SPPM)

TABLE OF CONTENTS

ENCLOSURES (cont.)

F	TABLES AND CHARTS (cont.)	
	Price Challenge Cash Bonus Award Criteria and Recommendation Amounts	3-F-16
	Storage Limits for Hazardous Materiel in General Purposes Areas	3-F-18
	Valuation of Unit Inventory Prices	3-F-20
	Vessel Systems Interconnect with DoD	3-F-24
	CMplus Physical Inventory Report – Storeroom: ELEC/ELEX Stores	3-F-25
	Fiberboard Container Size List	3-F-26
	Formulas for Materiel Weight and Size Calculation	3-F-31
	Guidance for Establishing Number of Unit Packs Per Intermediate Container	3-F-33
	Inventory Management Authorized Systems/Tools	3-F-35
	Selected Item Management (SIM) Tables	3-F-37
G	FORMS AND LABELS	
	Caution Label	3-G-1
	Identification Tag	3-G-2
	Shelf-Life Extension Notice	3-G-3
	Unserviceable Item Label	3-G-4
	Unserviceable (Reparable) Label - Materiel	3-G-5
	Forms List	3-G-6
H	DEEPWATER (TBD)	
I	CUSTOMER SERVICE	
	Air Force	3-I-1

CHAPTER 3-E PHYSICAL INVENTORY REQUIREMENTS

A. Policy. The objective of this section is to provide policy for conducting physical inventories of unit held parts or supplies stocked or stored for issue (referred to as Operating Materials and Supplies (OM&S) or inventory). Chapter 3-C of this Manual provides details on items considered OM&S/inventory. All CG field units are required to conduct physical inventories of all OM&S as outlined in Figure 1. Field units are exempt from physical inventory requirements if they do not manage reportable OM&S inventory. OM&S inventory controlled and managed by an Inventory Control Point (ICP) is excluded from these requirements.

1. Units that cannot meet the inventory requirements, as set forth in Figure 1, due to operational requirements must submit a waiver request. Waiver requests must be submitted within the first four weeks of the physical inventory cycle. The unit will enter the applicable information and provide a full explanation justifying the need for a waiver. Waivers must be approved before a unit is excused from completing the physical inventory.
2. Refer to the current inventory management system of record for procedures on performing the physical inventory.
3. The objectives of a physical inventory are to:
 - a. Ensure on-hand quantities match inventory record entries.
 - b. Identify inventory deficiencies.
 - c. Ensure material is correctly identified, properly stored, and in good condition.
 - d. Update location, price, and other management data.
 - e. Identify items that need to be repaired, replaced or acquired.
4. The basic physical inventory elements include the following:
 - a. Planning and Scheduling.
 - b. Preparation.
 - c. Conducting the physical count:
 - (1) Ensuring physical counts match inventory record quantities (Floor to Record).
 - (2) Ensuring inventory records match actual inventory on-hand (Record to Floor).
 - (3) For an inventory to be documented as completed, all items listed must be physically counted.
 - (4) OM&S in a sample count or wall-to-wall inventory located at an off-site storage location must be counted; the inventory cannot be documented as completed until those items are counted.
 - d. Reconciling accountability inventory record variances to physical count quantities.
 - e. Researching discrepancies and identifying causes for adjustments (root cause analysis).
 - f. Ensuring required reports are created and results reported.
 - g. Ensuring accurate and complete documentation is placed on file.
5. Types of physical inventories include the following:

- a. Statistical Random Sample: A random sample used to statistically project the accuracy of a total inventory population.
- b. Spot Count: An unscheduled physical count of any item.
- c. Wall-to-Wall (WTW): A physical count of the total inventory population.
- d. Post Wall-to-Wall (PWTW): Statistical random sample conducted after a WTW inventory to verify effectiveness of the WTW inventory.

B. Responsibilities.

1. Commanding Officers (COs)/Officers in Charge (OIC) of field units must:
 - a. Designate a Physical Inventory Control Officer (PICO) and an Alternate PICO in writing.
 - b. Approve a physical inventory schedule submitted by the PICO.
 - c. Ensure a physical inventory team is trained and designated by the PICO.
 - d. Ensure sufficient personnel are resourced and equipped to complete the inventory in the allotted time (Unless a unit emergency occurs, these personnel should not be assigned other duties during the inventory unless coordinated with the PICO).
 - e. Certify physical inventory results and ensure the PICO records unit OM&S inventory results correctly in the current inventory management system of record.
2. The PICO has the responsibility for conducting the physical inventory of OM&S at the unit. The PICO must have access to inventory records and the storeroom/warehouse locations at all times. The PICO must:
 - a. Schedule the physical inventories at the beginning of the fiscal year, notify the CO/OIC.
 - b. Plan all phases of the physical inventory and be in control of the process.
 - c. Select, designate in writing, assign, and train a Research/Adjustment Analyst (RA), Alternate RA, and Count Teams (CTs);
 - d. Ensure inventory management personnel are prepared and equipped.
 - e. Ensure CT and RA personnel are available to perform the inventory.
 - f. Ensure storeroom OM&S is not added or removed for routine issues and receipts during the physical inventory process.
 - g. Maintain a local process for high priority issue requests.
 - h. Assign a pending receipt location for OM&S awaiting receipt into inventory.
 - i. Ensure that all pre-inventory and post-inventory system reports are run.
 - j. Provide strict control over count sheets.
 - k. Ensure the physical inventory process is completed and reported within prescribed time standards.
 - l. Maintain records of physical inventory results in an audit ready state for three years plus the current fiscal year.

3. The RA administratively manages the physical count. The RA compares the results obtained from the CT against the inventory records. The RA has access to the inventory records but does not have access to the storeroom/warehouse during the count. The RA must:
 - a. Ensure CT does not have access to the inventory record.
 - b. Review count sheets to ensure all count sheets are accounted for and all selected items have been counted.
 - c. Compare the count sheet to the inventory record on-hand quantities.
 - d. Reconcile items to inventory records.
 - e. Post count quantities and adjustment gain or losses in inventory records.
 - f. Research and reconcile inventory discrepancies, record results.
 - g. Research and validate item price for accuracy.
 - h. Initial off each item on the count sheet.
 - i. Ensure CT signs all count sheets.
 - j. Generate the physical inventory report for PICO approval.
4. Each CT is comprised of a minimum of two individuals who have access to the storeroom/warehouse for conducting counts. The CT does not have access to the inventory record and on-hand quantities before and during the count. At least one count team member should not be involved with receipting/issuing or physical custody of the unit's OM&S. Multiple CTs are allowed. CT members may be assigned from other units if necessary. The CTs report directly to the PICO. Count teams must:
 - a. Conduct Floor to Record counts and Record to Floor counts.
 - b. Count items using the sight-touch method.
 - c. Legibly record the quantity of items on count sheets.
 - d. Sign and date each assigned count sheet.
 - e. Note unidentifiable items on the count sheets for resolution by the RA.
 - f. Note items suspected of being Not Ready for Issue (NRFI) on the count sheets.
 - g. Conduct re-counts for counts not in agreement with the inventory record and as assigned by the PICO.
 - h. Return all signed and dated count sheets to the PICO.
5. Inventory management personnel (e.g., storeroom custodians) must make the following preparations prior to a scheduled inventory:
 - a. Input all OM&S that has been received in the current inventory management system.
 - b. Ensure all OM&S ready for issue is removed from the storage location and removed from the current inventory management system of record.

- c. To the maximum extent possible, reduce multiple open containers, packages, or boxes of the same material to one open container.
- d. Ensure storerooms are clean and ready for inventory.
- e. Ensure inventory preparation procedures are being completed.
- f. Ensure storeroom OM&S is not added or removed for routine issues and receipts during the physical inventory process.
- g. Maintain a local process for high priority issue requests.
- h. Assign a pending receipt location for OM&S awaiting receipt into inventory.

C. Physical Inventory Scheduling. Mandatory OM&S Physical Inventories must be conducted in accordance with the schedule provided in Figure 1 and performed in the following sequence: (1) Preparation; (2) Count; (3) Reconciliation; (4) Reporting; (5) Documentation. In addition to the Physical Inventory Schedule, a Stat Sample, Spot Count or Wall-To-Wall inventory must be conducted when directed by the PICO, CO/OIC or Commandant (CG-441).

Mandatory Physical Inventory Schedule					
Quarter	Type of Inventory	Physical Inventory Completion Timeline	Time Standard	Physical Inventory Report Timeline	Time Standard
1st	Stat Sample	Oct 1 - Nov 30	Once inventory starts with Prep phase, the unit shall complete through the Reconciliation phase within 15 days	Oct 1 - Nov 30	Units shall report results within 15 days of completing inventory or by the end of the second month of each quarter, whichever comes first
2nd	Stat Sample	Jan 1 - Feb 28		Jan 1 - Feb 28	
3rd	Stat Sample	Apr 1 - May 31		Apr 1 - May 31	
4th	Stat Sample	Jul 1 - Aug 31		Jul 1 - Aug 31	

Figure 1 – Mandatory Physical Inventory Schedule

D. Physical Inventory Preparation.

1. The PICO must ensure that inventory management personnel perform the following:

- a. Post all receipts/expenditure documents and correct all pending discrepancies before the count is conducted.
 - b. Mark and physically segregate the following non inventory items from the OM&S: Personal Property (subject to COMDTINST M4500.5(series)); Medical Allowance List items; Operating Space Items (shop stock); aviation and naval type material (Type 1/2/4/6); and General Use Consumable List (GUCL) items.
 - c. Ensure storerooms/storage locations are in compliance with Chapter 4 Section D of this document to include the following measures:
 - (1) All locations are marked according to the numbering standard.
 - (2) All items are marked or tagged with a readily identifiable National Stock Number (NSN) or CAGE/Part Number.
 - (3) Loose units of small items are packaged in standard package size.
 - (4) Partial quantities are moved to shop stock.
 - (5) Containers with broken seals but containing full quantities are verified by the PICO, resealed, and then signed and dated by the PICO.
 - (6) Material with multiple storage locations (if possible) are consolidated into one location.
2. The PICO must develop local guidance and designate an area to be used for the collection of material received during the count phase. The PICO must suspend routine processing of issues/receipts and ensure all materials received at this time are placed in the Pending Receipt Area.
 3. The PICO must develop a process for issuing high-priority parts and ensure all affected personnel are briefed. The PICO must ensure high-priority issue items are accounted for and included in the research and adjustment phase. Off-line issues must be kept to an absolute minimum and be manually accounted for.
 4. The PICO must determine the sample size of the physical inventory based on the total number of line items maintained in the current inventory system of record. The physical inventory sample sizes and error rates are listed in Figure 2.

Statistical Sample Size and Allowed Discrepancies			
Total Number of Stocked Inventory Line Items	Record to Floor Sample Size	Floor to Record Sample Size	Total Errors Allowed
1 - 150	20	2	1
151 - 280	32	3	1
281 - 500	40	4	2
501 - 1,200	80	8	4
1,201 - 3,200	120	12	6
3,201 - 10,000	200	20	11
10,001 - 35,000	315	32	17

Figure 2 – Statistical Random Sample Size Determination

5. The PICO must provide blind count sheets for the Floor to Record inventory. The PICO must generate two copies of the sample count sheets: one master of the inventory count listing and one copy for the CT. Blind Floor to Record count sheets will list only the location.
 6. The PICO must annotate on the count sheet the following information:
 - a. Unit Name
 - b. Date
 - c. Page Numbers
 - d. PICO's Name (printed)
 - e. RA's Name (printed)
 - f. CT Members' Names (printed)
 7. The PICO must maintain master copies of all count sheets and distribute copies of count sheets to the CTs. Count sheets will be strictly controlled by the PICO to ensure that they are accounted for at all times.
- E. Physical Inventory Count. Physical inventories are continuous events. A continuous event for example is: if a physical inventory count starts and is not completed by the end of the work day, then the count will reconvene on the following work day, until it is completed.
1. To conduct the inventory, the CT must physically go to the locations listed on the count sheets.
 2. When conducting a Floor to Record count, CT will randomly select an item from the location listed. Annotate the NSN or part number, unit of issue and nomenclature. If no items are in that location, annotate the count sheet that no items exist in the location. The inventory record will be examined to confirm that no quantity is recorded for the location.
 3. When conducting a Record to Floor count, the CT must count all items at all locations listed on the count sheet and verify information on the count sheet matches the information for the item(s) in location. Note any packaging discrepancies in the remarks block (e.g., visually degraded material condition, unacceptable or illegible labeling, or incomplete/broken packages). Also note any discrepancies with the following:
 - a. NSN, or part Number.
 - b. Unit of Issue.
 - c. Item Name/Nomenclature.
 4. Use the sight/touch method to count, measure, or weigh each item, as applicable. The criteria for weight and measure testing can be used for multi-pack items (e.g., bolts, nuts, etc.) or bulk items (e.g., cable, wire, pipe, etc.). The recorder must compare the weighted or measured count to the on hand balance. If the variance is within (+/-) 5% of the on hand quantity, the count quantity will be recorded as the on-hand quantity.

5. Record unit of issue marked on item.
6. Record the quantity on the count sheet.
7. Sign, date and return completed count sheets to the PICO.
8. The PICO must ensure all count sheets are collected, completed and signed by all CT members.
9. The PICO must forward all count sheets to the RA.
10. The RA must compare count sheets to the inventory record and post the matching quantity or locations on the count sheets to the records.
11. The RA must validate the recorded price of the sampled inventory items for inventory value accuracy. A price discrepancy, or no price listed, affects value of inventory and is not a discrepancy.
12. The RA must place a check on all line items on the count sheets as they are verified or entered into the inventory system.
13. The RA must sign, date and forward the count sheet to the PICO.
14. If there are any discrepancies remaining on the count sheet, the following steps will be performed:
 - a. The RA must note the items with discrepancies (potential errors) on the first count sheet(s), sign and date.
 - b. The RA must prepare additional blind count sheet(s) with just the discrepant items, ensuring no on hand quantities are listed and mark the count sheet(s) as 2nd count.
 - c. The RA must forward 2nd count sheet(s) to the PICO.
 - d. The PICO must retain master copies and distribute 2nd count sheet(s) to the second count team. The second count team must consist of two personnel, one of which must not have been assigned to the first count team (multiple count teams are allowed).
 - e. The CT must perform 2nd counts and annotate count sheet with results.
 - f. The CT members must sign, date and submit the count sheet to the PICO.
 - g. The PICO must ensure all 2nd count sheets are accounted for and forward to RA.

F. Physical Inventory Reconciliation.

1. The RA must compare the 2nd count sheet to the inventory record. If the counts match, then the RA must process as a matching count.
2. If the count does not match the inventory record, the count on the 2nd count sheet is compared to the 1st count sheet. If the counts on the 1st and 2nd count sheets match the RA must process the count as a discrepancy.
3. If the 1st count sheet and the 2nd count sheet have different quantities, the following steps apply:

- a. The RA must contact the PICO to verify the counts and create a 3rd count sheet with only the discrepancies noted.
- b. The RA and PICO will check the on hand quantity at the location, annotate the 3rd count sheet with the verified quantity and sign off on the verified quantity.
4. The RA must post matching quantities to the inventory records.
5. The RA must reconcile any discrepancies on the count sheets to the inventory record. If any discrepancies are recorded against an inventory item, then a single error is recorded. A price discrepancy, or no price listed, affects value of inventory and is not a discrepancy. Any discrepancies remaining that constitute inventory errors are as follows:
 - a. An item has an incorrect quantity on hand without documentation to back up the differences between what is on hand and what is recorded in the system.
 - b. An item held in the wrong location and recorded in the system.
 - c. An item found in a location and not recorded in the system.
 - d. An item found in a location that is in NRFI condition when the inventory record lists it as being in Ready For Issue (RFI) condition.
6. Where discrepancies remain, the RA will annotate the 3rd count sheet with the type of discrepancy (e.g., quantity difference, condition code difference, location difference). Discrepancies that exist after the 3rd count verification has been completed are counted as errors. Multiple errors against an item or location are considered a single error (e.g., incorrect quantity and condition code of a single item is recorded as one error).
7. RA must conduct research on discrepant items or locations in accordance with Figure 3. There are three levels of research required based on the dollar value or criticality of the item.
 - a. Post Count Validation – A comparison of physical count with recorded balances and consideration of transactions that have occurred during the time of the physical count, but have not been posted to the records. 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. If a discrepancy still exists after the post count continue research in accordance with the minimum research requirements in Figure 3.
 - b. Pre-Adjustment Research – A review of potential discrepancies, which involves conducting storeroom/warehouse search counts, consideration of recent transactions, receipt/issue documentation and verification of Federal Logistics (FEDLOG) data. The purpose of pre-adjustment research is to determine the correct balance. Pre-adjustment research ends when the balance has been verified or the adjustment quantity determined. If a discrepancy still exists after the pre-adjustment research has been completed, continue research in accordance with Figure 3.
 - c. Causative Research – An investigation of discrepancies (i.e., gains/losses) consisting of (as a minimum) a complete review of all transactions to include supporting documentation, catalog change actions, shipment discrepancies, and unposted or rejected documentation occurring since the last completed inventory. 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 is conducted to determine the cause of the discrepancy (e.g., internal controls lacking, receipt or issue process not established). Causative research ends when the cause of the discrepancy has been discovered or when, after review of the transactions, no conclusive findings are possible and an inventory gain/loss transaction is posted to bring the records in balance. Note in the inventory record folder that causative research had been accomplished and the findings.

Minimum Research Requirements			
Condition of Discrepancy		Required Research	
Total Dollar Value	Post Count Validation	Pre-Adjustment Research	Causative Research
< \$100	Yes	No	No
≥ \$100 but ≤ \$1000	Yes	Yes	No
> \$1000 or any pilferable/classified/sensitive items	Yes	Yes	Yes

Figure 3 – Minimum Research Requirements

8. The RA will research, reconcile and post any adjustments to the record.
9. The RA must note next to errors on the second count sheet the level of research conducted and action taken to reconcile inventory record.
10. The RA will note any root causes found and report them to the PICO.
11. The RA will sign, date and forward all count sheet(s) to the PICO.
12. If there were corrections to the inventory system of record then the PICO must determine line items in inventory and value of inventory.
13. The PICO must compile and review inventory results and sign all count sheets. The PICO must calculate the errors, total dollar value of inventory loss, and determine the minimum reporting requirements. Allowable number of errors is contained in Figure 2. The minimum reporting requirements for total amount of inventory loss, damaged or destroyed is described in Figure 4.

Total Dollar Value	Report	Approving Authority	Document Disposition and Retention
< \$5,000	Current system of record Physical Inventory Report or Adjustment Form, Form CG-3114	Unit CO/OIC or designated authority at unit	Retain original adjustment forms in unit's supply files.
≥ \$5,000 but < \$10,000	Report of Survey, Form CG-5269 with above current system of record Physical Inventory Report or adjustment forms	Unit CO/OIC	Retain original adjustment forms and Reports of Survey in unit's supply files.
≥ \$10,000 but < \$100,000	Same as above	Unit forward to COMDT (CG-441)	The unit will forward original Report of Survey to COMDT (CG-441). COMDT (CG-441) will return original of approved/disapproved Report of Survey to the unit.
> \$100,000	Same as above	COMDT (CG-842), copy to COMDT (CG-441)	The unit will forward original Report of Survey to COMDT (CG-842) and one copy to COMDT (CG-441). COMDT (CG-842) will return original of approved/disapproved Report of Survey to the unit and one copy to COMDT (CG-441).

Figure 4 – Reporting Requirements

G. Physical Inventory Report. The PICO must go to the current system of record to report completion of the physical inventory. Units that fail two consecutive statistical random samples must complete a wall-to-wall inventory within 20 days of the completion date for the last physical inventory; refer to paragraph I of this section.

H. Physical Inventory Documentation.

1. The PICO must create an inventory package for each physical inventory that includes the following:
 - a. Unit CO/OIC signed documentation that includes when the inventory was completed and the results.
 - b. Documented training of RA and CT.
 - c. All required count sheets
 - d. All documentation supporting research (if applicable)

- e. All documentation supporting gains and losses (if applicable)
 - f. Report of Survey, Form CG-5269 (if applicable)
2. Document Retention. PICO must ensure that evidential documentation is kept to support the planning, execution, decisions, approvals, and evidential documentation for all physical inventories for a period of three (3) fiscal years plus the current fiscal year.
 3. The PICO must submit any Reports of Survey to the cognizant approving authorities as detailed in Figure 4.
- I. Wall-to-Wall Inventory. If a unit is required to conduct a WTW inventory, the unit must perform the following steps:
1. The PICO must inform Commandant (CG-441).
 2. The PICO must schedule a WTW inventory followed by a post WTW statistical random sample.
 3. The CO/OIC must designate a sufficient number of personnel to complete the WTW in the allotted time. Unless a unit emergency occurs, these personnel will not be assigned other duties during the WTW process unless coordinated with the PICO.
 4. Upon completion of the WTW inventory and the post WTW statistical random sample, the PICO must review the report package to ensure it accurately reflects the results of the WTW inventory. If the unit fails the statistical random sample, the PICO must contact Commandant (CG-441).
 5. The PICO will inform the CO/OIC and Commandant (CG-441) of the results, document the results, and report the results in the current system of record.