DoD Manual 4140.01, Volume 10

DoD Supply Chain Materiel Management Procedures: Supply Chain Inventory Reporting and Metrics

Originating Component: Office of the Under Secretary of Defense for Acquisition and Sustainment

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Approved by: Kristin K. French, Acting Assistant Secretary of Defense for Logistics and Materiel Readiness
Change 3 Approved by: Robert McMahon, Assistant Secretary of Defense for Sustainment

Purpose: This manual is composed of several volumes, each containing its own purpose. In accordance with the authority in DoD Directive (DoDD) 5134.12:

- This manual:
  - Implements policy, assigns responsibilities, and provides procedures for DoD materiel managers and others who work within or with the DoD supply system consistent with DoD Instruction (DoDI) 4140.01.
  - Establishes standard terminology for use in DoD supply chain materiel management.

- This volume establishes:
  - Processes and procedures for the Military Departments and the Defense Logistics Agency (DLA) to report their inventories to the Deputy Assistant Secretary of Defense for Logistics (DASD(Logistics)).
  - Procedures for DoD Components to develop and report supply chain metrics.
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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY. This volume applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to in this volume collectively as the “DoD Components”).

1.2. INFORMATION COLLECTIONS.

   a. The supply system inventory report (SSIR), referred to in Paragraphs 2.2.a(2), 2.5.a(2), and 4.2, has been assigned report control symbol (RCS) DD-AT&L(A)1000 in accordance with the procedures in Volume 1 of DoD Manual (DoDM) 8910.01. The expiration date of this information collection is listed in the DoD Information Collections System at https://eitsdext.osd.mil/sites/dodiic/Pages/default.aspx.

   b. The stratification reports, referred to in Paragraphs 2.2.a(3), 2.5.a(3), and 6.5, have been assigned RCS DD-AT&L(BI)2539 in accordance with the procedures in Volume 1 of DoDM 8910.01. The expiration date of this information collection is listed in the DoD Information Collections System at https://eitsdext.osd.mil/sites/dodiic/Pages/default.aspx.

   c. The DoD supply chain enterprise metric reports, referred to in Paragraphs 2.2.b, 2.5.b., and 7.5, have been assigned RCS DD-AT&L(A)2633 in accordance with the procedures in Volume 1 of DoDM 8910.01. The expiration date of this information collection is listed in the DoD Information Collections System at https://eitsdext.osd.mil/sites/dodiic/Pages/default.aspx.

1.3 SUMMARY OF CHANGE 3. The changes to this issuance are a result of efforts of the Supply Chain Metrics Group to improve supply chain enterprise metrics by capturing, analyzing, and sharing distribution performance metrics. Additionally, organizational titles, responsibilities, and definitions have been updated for accuracy.
SECTION 2: RESPONSIBILITIES

2.1. ASSISTANT SECRETARY OF DEFENSE FOR SUSTAINMENT (ASD(S)). In accordance with DoDD 5134.12 and under the authority, direction, and control of the Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)), the ASD(S):

a. Monitors and reviews the materiel readiness and sustainment support programs.

b. Captures, analyzes, and shares distribution performance metrics.

2.2. DIRECTOR, DLA. In addition to the responsibilities in Paragraph 2.4 and under the authority, direction, and control of the USD(A&S), through the ASD(S), the Director, DLA:

a. Stratifies inventories of consumable assets under DLA management as prescribed in Volume 6 of this manual and uses the stratification to:

(1) Assess the ability of the secondary item inventory to meet the stated requirement and ensure that inventories are kept only if warranted in accordance with the procedures in Volume 6 of this manual.

(2) Prepare and submit the SSIR in accordance with the procedures in Section 4.

(3) Prepare and submit stratification reports in accordance with the procedures in Section 6.

b. Prepares and submit supply chain metric measurements in accordance with the procedures in Section 7. The Director, DLA will use the metrics to:

(1) Monitor the health of the DLA supply chain and to improve inventory management.

(2) Support efforts to monitor the health of the DoD supply chain, improve inventory management, and optimize distribution performance.

c. Conducts internal inventory management reviews and support efforts to monitor the health of the DoD supply chain, identify initiatives, and implement initiatives that improve inventory management. Provides a briefing to the DASD(Logistics) on the inventory management reviews in accordance with the procedures in Section 5.

2.3 DASD(LOGISTICS). Under the authority, direction, and control of the USD(A&S), the DASD(Logistics) uses the SSIR, stratification, inventory management reviews, and DoD supply chain enterprise metrics from the Military Departments and DLA to:

a. Monitor and improve the health of the DoD supply chain.

b. Assess and improve the effectiveness of DoD supply chain policies and procedures.
c. Assess and improve the effectiveness of DoD inventory management and optimize distribution performance.

d. Track the success of initiatives to improve inventory and distribution management within the DoD supply chain.

2.4. DOD COMPONENT HEADS. The DoD Component heads:

a. Implement the procedures prescribed in this volume.

b. Ensure their supplemental guidance and procedures are in accordance with DoDD 5134.12 and this volume.

c. Manage and account for records in accordance with DoDI 5015.02 and Administrative Instruction 15.

2.5. SECRETARIES OF THE MILITARY DEPARTMENTS. In addition to the responsibilities in Paragraph 2.4, the Secretaries of the Military Departments:

a. Stratify inventories of secondary item and conventional military munitions assets under their management by the major inventory and munitions segments in accordance with the procedures in Volume 6 of this manual. The Secretaries of the Military Departments will use the stratification to:

(1) Assess the ability of the secondary item and conventional military munitions inventory to meet the stated requirement and ensure that inventories are kept only if warranted in accordance with the procedures in Volume 6 of this manual.

(2) Prepare and submit:

   (a) The SSIR in accordance with the procedures in Section 4.

   (b) Stratification reports for the conventional military munitions, including missiles, under their management in accordance with the procedures in Section 6.

   (c) Stratification reports for consumable and reparable assets under their management in accordance with the procedures in Section 6.

b. Prepare and submit supply chain metric measurements in accordance with the procedures in Section 7 and use the supply chain metrics to:

(1) Monitor the health of the supply chain and to improve inventory management.

(2) Support ASD(S) efforts to monitor the health of the DoD supply chain, improve inventory management, and optimize distribution performance.
c. Conduct internal inventory management reviews and support efforts to monitor the health of the DoD supply chain.

d. Brief inventory management reviews to the DASD(Logistics) in accordance with the procedures in Section 5.

2.6. COMBATANT COMMANDERS. In addition to the responsibilities in Paragraph 2.4, the Combatant Commanders, through the Chairman of the Joint Chiefs of Staff:

   a. Authorize the emergency redistribution of requirement related munitions stock (RRMS) in their geographic command and verify the redistribution with the issuing Military Service. They may delegate this responsibility to a Military Department, commander, joint force commander, or other commander as appropriate.

   b. Capture, analyze, and share distribution performance metrics to optimize distribution performance.

2.7. COMMANDER, UNITED STATES TRANSPORTATION COMMAND. In addition to the responsibilities in Paragraphs 2.4., and 2.6., and in accordance with DoDD 4500.09E, the Commander, United States Transportation Command, as the Distribution Process Owner in accordance with DoDI 5158.06:

   a. Provides the quarterly supply chain enterprise metric report on time-definite deliver (TDD) compliance in the format and dates specified in instructions from the DASD(Logistics) and in accordance with the procedures in Paragraph 7.3.

   b. Uses the supply chain metrics on TDD to:

      (1) Measure the responsiveness and reliability of the distribution processes to deliver required materiel to the customer within a given period of time.

      (2) Develop changes to policy and procedures to improve logistics response time, wholesale perfect order fulfillment, and TDD compliance.
SECTION 3: INVENTORY REPORTING REQUIREMENTS

3.1. GENERAL REQUIREMENTS. The Military Departments and DLA will:

   a. Collect, maintain, and report data on the inventories they hold for sale or issue in accordance with the procedures in Section 3.2.

   b. Include inventory for secondary items and inventory for conventional military munitions in the segmentation and valuation. Conventional military munitions are not secondary items.

   c. Use data calls, requirements, and asset positions obtained from their stratification processes and other sources, as applicable, to obtain the data for inventory reporting.

3.2. SEGMENTATION OF MATERIEL. The Military Departments and DLA will:

   a. For purposes of inventory management analysis and reporting, segment conventional military munitions in accordance with Volume 6 of this manual.

   b. Segment inventory management analysis of secondary item materiel with a column that provides the reason the materiel is being held for consumption, sale, or issue. For purposes of inventory management analysis and reporting, segment:

      (1) Materiel held for sale or issue as inventory.

          (a) Materiel held in a working capital fund is an example of inventory held for sale.

          (b) An example of inventory held for issue would be war reserve materiel purchased with appropriated funds.

      (2) Materiel held by the Military Department or DLA for consumption as operating materials and supplies, such as:

          (a) Materiel held by an operating unit purchased with operation and maintenance funds.

          (b) Materiel purchased by a DoD weapon system program manager with procurement funds and issued to new weapon system or subsystem maintenance military units as an initial lay-in of spare parts for use in maintaining a DoD weapon system or subsystem.

   c. Determine what materiel to report as inventory to the DASD(Logistics) by considering four decision factors.

      (1) If the purpose of the materiel is consumption, then categorize the materiel as operating materials and supplies, not inventory, and exclude it from reporting. Consumption materiel is purchased with operations and maintenance funds; research, development, test and evaluation funds; or procurement funds.
(2) If the materiel is held for sale, purchased by a working capital fund, and managed by a supply management activity, report the materiel as inventory. If the managing activity is not a supply management activity, then exclude the materiel from reporting.

(3) If the materiel was purchased with procurement or research, development test and evaluation funds and not working capital funds and either:

(a) It is war reserve materiel or conventional military munitions, then report the materiel as inventory.

(b) It is stockpile materiel, exclude the materiel from reporting.

(4) If the materiel is program manager stock and either:

(a) It is held for issue as initial or sustainment program support, then report the materiel as inventory.

(b) It is held, for any reason other than initial or sustainment program supports then exclude the materiel from reporting.

3.3. SEGMENTATION OF SECONDARY ITEM INVENTORIES BY PURPOSE. In addition to segmenting secondary item materiel into materiel that will be reported as inventory and materiel that will be excluded from reporting, the Military Departments and DLA will further segment secondary item inventories by the reason they are held:

a. The Military Departments and DLA will use Table 1 to:

(1) Segment approved acquisition objective (AAO) inventory by the requirements listed in Table 1 and stratify assets against those requirements in the order they are listed in Table 1.

(2) Identify the section of the item population that each requirement applies to, the purpose for having that requirement, and where its computation is addressed in this manual.

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Item Population</th>
<th>Purpose</th>
<th>Computation</th>
</tr>
</thead>
<tbody>
<tr>
<td>War Reserve Materiel</td>
<td>Items needed to support wartime operations</td>
<td>Inventory above peacetime requirements that is needed to fill wartime demands and within authorized funding for that specific purpose</td>
<td>Secondary item war reserve requirements in DoDM 4140.01, Volume 2</td>
</tr>
</tbody>
</table>

Table 1. Secondary Item AAO Requirements
### Table 1. Secondary Item AAO Requirements, Continued

<table>
<thead>
<tr>
<th>Retail Requisitioning Objective</th>
<th>All items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory needed by retail supply activities to provide direct support to their customers</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stock Due Out</th>
<th>All items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory needed to fill backordered customer demands</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Demand Requirement</th>
<th>Items with predictable demand or planned program requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory needed to fill the projected demand during the budget period</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Insurance Stockage</th>
<th>Items with non-forecastable demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>A stockage level of one minimum replacement unit identified for items for which demand is not predicted but the occurrence of abnormal or otherwise unexpected demand would seriously hamper operational capability of weapon systems</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Numeric Stockage</th>
<th>Items with non-forecastable demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>A stockage level of two minimum replacement units identified for essential items with sparse or no demand histories but with expected demand</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Limited Demand Stockage</th>
<th>Items with non-forecastable demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>A rule-based level of stockage identified for items that are non-forecastable due to limited demand</td>
<td></td>
</tr>
<tr>
<td>High Demand Variation Stockage</td>
<td>Items with non-forecastable demand</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>Safety Level</td>
<td>Items with forecastable demand</td>
</tr>
<tr>
<td>Repair Cycle Level</td>
<td>Reparable items with forecastable demand</td>
</tr>
<tr>
<td>Production Lead Time Level</td>
<td>Items with forecastable demand</td>
</tr>
<tr>
<td>Administrative Lead Time Level</td>
<td>Items with forecastable demand</td>
</tr>
<tr>
<td>Economic Order Quantity</td>
<td>Items with forecastable demand</td>
</tr>
<tr>
<td>Life-of-Type (LOT) Buy Quantity</td>
<td>Any item that has been identified as having a LOT buy</td>
</tr>
</tbody>
</table>
Table 1. Secondary Item AAO Requirements, Continued

<table>
<thead>
<tr>
<th>Weapon System Program Stock</th>
<th>Any item associated with weapon system program</th>
<th>Level of inventory purchased by a program manager for initial or sustainment program support</th>
<th>Determined by program manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractor-Managed Stock Level</td>
<td>Any item designated for contractor management</td>
<td>Level of inventory owned by the government but managed by a contractor</td>
<td>Defined by contract</td>
</tr>
<tr>
<td>Balance War Reserves</td>
<td>Items needed to support wartime operations</td>
<td>Inventory above peacetime requirements that is needed to fill wartime demands but is not within authorized funding for that specific purpose</td>
<td>Secondary item war reserve requirements in DoDM 4140.01, Volume 2</td>
</tr>
</tbody>
</table>

(3) Only include in stratification the requirement for a LOT buy quantity when a LOT buy exists. Include the LOT buy quantity when a LOT buy is initiated as a procurement request until the buy quantity is delivered. When initiating a LOT buy procurement request, consider all assets, not just on-order assets, when setting the buy quantity. Once the LOT buy is delivered and closes out the LOT buy requirement and apply those assets to other AAO requirements, retention inventory, or potential reutilization stock as appropriate.

(4) Only stratify non-forecastable requirements to items with non-forecastable demand and forecastable requirements to items with forecastable demand.

(5) Stratify inventory with only one of the non-forecastable requirements that applies to a given non-forecastable item. For example, a non-forecastable item with insurance stockage cannot also have limited demand stockage.

(6) Apply all of the forecastable requirements to a forecastable item with the exception of the repair cycle level, which only applies to reparable items. A forecastable reparable item will have a safety level, a repair cycle level, an administrative lead time level, a production lead time level, and an economic order quantity, while a forecastable consumable item will have all of those levels except for the repair cycle level.

(7) For items in an interchangeable and substitutable family, roll requirements and assets to the master item for the family using procedures in Section 3, Paragraph 5 of Volume 9 of this manual.

b. The Military Departments and DLA will segment inventory above the AAO as retention inventory if it is within economic and contingency retention levels for purposes of reporting and stratification. Use the procedures for materiel retention in Volume 6 of this manual to set economic and contingency retention levels. Stratify inventory for:
(1) In accordance with procedures in Volume 6 of this manual, the DoD Components will use an economic analysis methodology to set the maximum limit on economic retention inventory for an item. Stratify stocks above an item’s AAO against the economic retention limit before stratification as contingency retention.

(2) Contingency retention in accordance with the procedures in Volume 6 of this manual. The DoD Components will determine limits for contingency retention depending on the contingency. The inventory for an item may apply to more than one contingency and have several contingency limits; or a contingency limit for an item could be the item’s entire inventory above its AAO and economic retention limit.

(3) When stratified, item economic and contingency retention limits will not have a deficit; only AAO requirements may have a deficit.

c. For purposes of reporting and stratification, the Military Departments and DLA will segment inventory quantities above the sum of AAO and retention levels as potential reutilization stock. Potential reutilization stock is subject to disposal, unless it is re-classified as AAO or retention inventory.

d. For purposes of reporting and stratification, the Military Departments will, as a first step in their stratification process, reserve as anticipated condemnations that portion of their unserviceable reparable item inventory they expected will not be recovered during the repair process. The Military Departments will not stratify anticipated condemnations to any AAO requirement, to any retention level, or to potential reutilization stock.

3.4. SECONDARY ITEM REPORTING AND STRATIFICATION INCLUSIONS AND EXCLUSIONS. The DoD Components will:

a. Report all inventories they have accountability for with the exception of:

(1) Inventory held and owned by a commercial source of supply to support a Government contract.

(2) In-transit inventory not stratified in accordance with Appendix 3.

b. Report all on hand, due-in, from within the Government, or on-order assets for secondary items segmented by their condition as detailed in Table 2, except for exempt inventory identified in Paragraph 3.4.a.

Table 2. Secondary Item Asset Stratification Conditions

<table>
<thead>
<tr>
<th>Condition</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serviceable</td>
<td>An on hand asset that is ready for issue to fill a customer demand</td>
</tr>
</tbody>
</table>
Table 2. Secondary Item Asset Stratification Conditions, Continued

<table>
<thead>
<tr>
<th>Condition</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serviceable Due-In</td>
<td>A serviceable asset that is not on hand but is due in from a source within the Government.</td>
</tr>
<tr>
<td>Unserviceable Scheduled or Inducted for Repair</td>
<td>An on hand asset that is not ready for issue, but is in maintenance for the repair.</td>
</tr>
<tr>
<td>Unserviceable Not Scheduled for Repair</td>
<td>An on hand asset that is in need of repair and is not ready for issue and is not in maintenance for repair</td>
</tr>
<tr>
<td>Unserviceable Due-In</td>
<td>An unserviceable asset that is not on hand but is due in from a source within the Government.</td>
</tr>
<tr>
<td>On-Order Commit</td>
<td>A procurement request for an asset that is ordered from a commercial source but no contract has been awarded and funds are committed.</td>
</tr>
<tr>
<td>On-Order Contract</td>
<td>An asset that is ordered from a commercial source on an awarded contract and funds are obligated or from an organic source without a contract and funds are obligated.</td>
</tr>
</tbody>
</table>

c. Inventory that is owned and managed by a DoD Component but held in the custody of a contractor is not exempt from inventory reporting and stratification requirements in this volume.

d. Report in-transit inventory in the categories described in Table 3.

e. Report inventory as in-transit or not issuable inventory at its salvage value in accordance with Paragraph 3.5.f, using the supply condition codes:

   (1) “H,” indicating condemned unserviceable.

   (2) “P,” indicating unserviceable held for reclamation.

   (3) “S,” indicating unserviceable scrap.

   (4) Other supply condition codes in Appendix 2.5 of the Defense Logistics Manual (DLM) 4000.25-2, if the historical experience of the DoD Component shows that they are not expected to become available to satisfy requirements.

3.5. VALUATION OF REQUIREMENTS AND ASSETS. When appropriate, the Military Departments and DLA will value their inventory requirements and materiel using one of these methods:

   a. Moving Average Cost (MAC). For reporting inventory, use the MAC value for inventory unless an exception is specifically noted.

      (1) Use this method to update the value of the on hand serviceable inventory continuously based on the average cost of all procurements and repairs (or remanufactures) made to date for an item.
(2) Use the procedures in Volume 4, Chapter 4 of DoD 7000.14-R for computing MAC.

b. Latest Acquisition Cost (LAC). Use in conjunction with the national stock number’s (NSN’s) invoice price for the last representative acquisition of the item to determine the item’s replenishment cost.

c. Standard Price. Use the price that customers are charged for a DoD inventory control point (ICP) managed item (excluding subsistence). The standard price remains constant throughout a fiscal year (FY) except for the correction of significant errors.

   (1) Calculate the standard price based on various factors:

      (a) Replenishment cost of the item plus surcharges to recover costs for transportation.

      (b) Inventory loss, obsolescence, and maintenance.

      (c) Depreciation.

      (d) Supply operations.

   (2) Use the formula for determining standard price with LAC plus overhead cost recovery in accordance with Volume 4, Chapter 4 of DoD 7000.14-R.

d. Repair Cost. Use the parts and labor costs expended to repair an unserviceable item and bring it to a serviceable condition. Use only for reparable items.

e. Carcass Value. Use the latest replenishment cost less the latest repair cost in accordance with Volume 4, Chapter 4 of DoD 7000.14-R. The Military Departments and DLA will use the carcass value for unserviceable assets in their inventory presentations to the DASD(Logistics) in accordance with the procedures in Sections 4, 5, and 6 of this volume.

f. Salvage Value. Estimate the amount that can be recovered from selling or disposing of an item and the cost of processing a disposal action in accordance with the procedures in Volume 3 of DoDM 4160.21.

   (1) Use the estimated amount recovered from selling, or disposing of, an item by DLA Disposition Services minus the estimated costs of processing the disposal action.

   (2) Determine the salvage value of inventory identified for potential disposal (e.g., anticipated condemnations and potential reutilization stocks) by multiplying the value of that inventory by a salvage factor developed annually by DLA Disposition Services and distributed by the DASD(Logistics) by mid-December of each year.
APPENDIX 3A: IN-TRANSIT CATEGORIES FOR REPORTING AND STRATIFICATION OF SECONDARY ITEMS

3A.1. The Military Departments and DLA will present secondary item inventory by AAO, war reserve, in transit stock, economic retention stock, contingency retention stock, potential reutilization stock, anticipated condemnations, and total as detailed in Table 3.

3A.2. DoD Components will report all inventories they have accountability for with the exception of In-transit inventory that is not stratified in accordance with Table 3.

   a. The SSIR Reporting column in Table 3 applies to the Military Service or DLA with accountability for the inventory. In all categories that is the consignor or loaner.

   b. The Stratification column in Table 3 applies to the Military Service or DLA receiving the inventory. In all categories, that is the consignee or loan recipient.

Table 3. In-Transit Categories for Reporting and Stratification of Secondary Items

<table>
<thead>
<tr>
<th>Category</th>
<th>SSIR Reporting</th>
<th>Stratification</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Inventory moving within the DoD supply chain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Inventory shipped in response to an order placed on a wholesale source of supply</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. DoD organic source of supply shipping ordered materiel to a DoD retail supply activity or to a wholesale storage location for another wholesale source of supply.</td>
<td>Will be reported as in-transit.</td>
<td>Will be stratified as on-order contract assets.</td>
</tr>
<tr>
<td>2. DoD designated commercial source of supply managing Government-owned materiel (e.g., performance based logistics (PBL) contractor) shipping ordered materiel to a DoD retail supply activity or to a wholesale storage location for another wholesale source of supply.</td>
<td>Will be reported as in-transit, if feasible.</td>
<td>Will be stratified as on-order contract assets.</td>
</tr>
<tr>
<td>B. Inventory moved between storage locations.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets moving between wholesale storage locations or between wholesale and retail storage locations within the same Defense Working Capital Fund (DWCF) for purposes of balancing or changing locations (i.e., consignor is consignee).</td>
<td>Will be reported as on hand inventory.</td>
<td>Will be stratified as serviceable or unserviceable due-in assets, respectively.</td>
</tr>
<tr>
<td>C. Inventory returned to a wholesale source of supply</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Table 3. In-Transit Categories for Reporting and Stratification of Secondary Items, Continued

<table>
<thead>
<tr>
<th>Category</th>
<th>SSIR Reporting</th>
<th>Stratification</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Unserviceable assets being returned from a retail supply activity to the wholesale level for repair as part of an exchange.</td>
<td>Will be reported as on hand inventory.</td>
<td>Will be stratified as unserviceable due-in assets.</td>
</tr>
<tr>
<td>2. Excess unserviceable assets being returned from a retail supply activity to the wholesale level.</td>
<td>Will be reported as on hand inventory.</td>
<td>Will be stratified as unserviceable due-in assets.</td>
</tr>
<tr>
<td>3. Excess serviceable assets being returned from a retail supply activity to the wholesale level.</td>
<td>Will be reported as on hand inventory.</td>
<td>Will be stratified as serviceable due-in assets.</td>
</tr>
<tr>
<td>D. Inventory moved to and from maintenance facilities.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Unserviceable assets moving from a storage location to an organic or commercial maintenance facility for repair.</td>
<td>Will be reported as on hand inventory.</td>
<td>Will be stratified as unserviceable scheduled for repair.</td>
</tr>
<tr>
<td>2. Repaired unserviceable or serviceable assets moving from an organic or commercial maintenance facility to a storage location.</td>
<td>Will be reported as on hand inventory.</td>
<td>Will be stratified as unserviceable scheduled for repair until received and accepted.</td>
</tr>
<tr>
<td>E. Inventory moved to and from disposal sites.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Assets moving from a DWCF storage location to a disposal site.</td>
<td>Will not be reported.</td>
<td>Will not be stratified because materiel is not available for issue by stratifying DoD Component.</td>
</tr>
<tr>
<td>2. Assets moving from a disposal site to a DWCF storage location.</td>
<td>Will not be reported.</td>
<td>Will be stratified because materiel will be available for issue when received (if serviceable) or received and repaired (if unserviceable).</td>
</tr>
<tr>
<td>II. Inventory moving into the DoD supply chain.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Inventory shipped in response to a materiel order.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non DoD Government source of supply (e.g., General Services Administration) shipping non DoD managed materiel to a DWCF level.</td>
<td>Will not be reported.</td>
<td>Will be stratified as on-order contract assets.</td>
</tr>
</tbody>
</table>
Table 3. In-Transit Categories for Reporting and Stratification of Secondary Items, Continued

<table>
<thead>
<tr>
<th>Category</th>
<th>SSIR Reporting</th>
<th>Stratification</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>B. Inventory shipped in response to a procurement order.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Commercial supplier delivering materiel on contract when the Government is not responsible for loss or damage before receipt and acceptance.</td>
<td>Will not be reported.</td>
<td>Will be stratified as on-order contract assets.</td>
</tr>
<tr>
<td>2. Commercial supplier delivering materiel on contract when the Government is responsible for loss or damage before receipt and acceptance.</td>
<td>Will be reported as in-transit inventory if feasible.</td>
<td>Will be stratified as on-order contract assets.</td>
</tr>
<tr>
<td><strong>III. Inventory moving out of the DoD supply chain.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Inventory shipped in response to an order placed on a wholesale source of supply.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DoD organic source of supply shipping ordered materiel to either a non DoD customer, or a DoD contractor as contractor acquired property or government furnished materiel.</td>
<td>Will not be reported.</td>
<td>Will not be stratified because materiel is not available for issue by stratifying DoD Component.</td>
</tr>
<tr>
<td><strong>B. Inventory shipped due to a quality defect.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DoD organic source of supply returning materiel to a commercial vendor.</td>
<td>Will not be reported.</td>
<td>Will not be stratified because materiel is not available for issue by stratifying DoD Component.</td>
</tr>
<tr>
<td><strong>C. Inventory on loan.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materiel temporarily on loan to non DoD departments or agencies, state or local governments, or civilian activities (veterans' organization, youth groups, etc.)</td>
<td>Will be reported as in-transit inventory while on loan.</td>
<td>Will not be stratified or will be offset in the stratification by a non-recurring demand requirement.</td>
</tr>
</tbody>
</table>
SECTION 4: SSIR

4.1. PURPOSE OF REPORT. The DASD(Logistics) produces and uses the annual SSIR to monitor changes and trends in DoD secondary item and conventional military munitions inventories and to respond to senior leadership and Congressional questions on DoD secondary item inventories.

4.2. SUBMISSION REQUIREMENTS. The DASD(Logistics) will develop the DoD-wide SSIR using data submissions from the Military Departments and DLA.

   a. Secondary Item Reporting. The Military Departments and DLA will:

      (1) Develop secondary item and conventional military munitions item SSIR data that is based on the inventory reporting for the September 30 cycle of the previous year.

      (2) Submit the SSIR data to DASD(Logistics) by February 15 of each year.

      (3) Use the SSIR format and layouts for reporting secondary item inventories in Appendix 4 of this Volume. Use format and layout variations provided by the DASD(Logistics) before mid-December.

      (4) Display secondary item inventory by ICP or product line and type of funding.

      (5) Define ICP or product lines for the submission.

      (6) Present secondary item inventory by AAO, war reserve, in transit stock, economic retention stock, contingency retention stock, potential reutilization stock, anticipated condemnations, and total as detailed in Appendix 3 of this section.

      (7) Value inventory using the moving average cost method prescribed by the Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense in Volume 4 of DoD 7000.14-R. In addition, apply these adjustments:

         (a) Value secondary reparable item inventories that are not ready for issue at their MAC after subtracting the expected repair cost.

         (b) Value inventory, except conventional military munitions, that stratifies as potential reutilization at its salvage value.

         (c) Value inventory that stratifies as inventory not expected to survive repair or anticipated condemnations (both serviceable and unserviceable), except conventional military munitions, at its salvage value.

   b. Conventional Military Munitions Reporting. The Military Departments will:
(1) Use format and layout variations provided by the DASD(Logistics) before mid-December to report conventional military munitions inventories, in accordance with the procedures in Appendix 4 of this Volume.

(2) Include all conventional military munitions in the annual SSIR report, without any exclusion to conventional military munitions.

(3) Value all conventional military munitions at its MAC.
   (a) If MAC is not available, use LAC until current information systems are replaced.
   (b) Salvage value and expected repair cost will not be used.

(4) Report all conventional military munitions under two categories:
   (a) Munitions and related equipment.
   (b) Missile systems and related equipment.

(5) Provide, in accordance with the procedures in Volume 6 of this manual:
   (a) The total value of their conventional military munitions,
   (b) RRMS.
   (c) Economic retention munitions stock (ERMS).
   (d) Contingency retention munitions stock (CRMS).
   (e) Potential reutilization and disposal stocks (PR/DS) breakouts.
APPENDIX 4A: DETAILS OF THE SSIR

4A.1. SECONDARY ITEM REPORTING IN THE SSIR. The Military Departments and DLA will submit total worldwide secondary item inventory regardless of the funding source by the 30 September cycle following the procedures in this appendix.

   a. Report Specified Secondary Item Inventories. Include secondary item inventories in SSIR submissions that are:

      (1) Stored at depots, posts, camps, stations, bases, and ships (excluding shipboard operations, maintenance supplies, and other operating materials and supplies).

      (2) In leased or controlled storage facilities.

      (3) In transit (between government locations or government and contractor locations).

      (4) In federal government facilities.

      (5) In the custody, but not the ownership, of contractors for management, modification, repair, or production.

   b. Exclude Specified Secondary Item Inventory from Reporting. Exclude from the SSIR submissions:

      (1) Materiel in the custody of, but not owned by, the Military Department or DLA.

         (a) The intent is to avoid double counting of the materiel.

         (b) The DoD organization owning the materiel will report the materiel.

      (2) Operating materials and supplies, e.g., secondary items in the possession of end-users such as troop units or maintenance facilities, for the purpose of consumption.

      (3) Secondary items in use, e.g., items installed or incorporated in a higher assembly or complete end item or items and items otherwise consumed.

      (4) Materiel reported to DLA Disposition Services for reutilization screening and disposal and foreign-owned materiel.

   c. Include ICPs or Product Group. Provide line entries by applicable ICPs or product groups (e.g., DLA supply chains).

   d. Include Externally Managed Stock Entries. Report all Service- or DLA-owned inventories outside of the materiel manager’s control (e.g., where the DoD organization owns the assets but a contractor manages them). Reporting will include contractor-managed stock that PBL support and contractor logistics support (CLS).
APPENDIX 4A: DETAILS OF THE SSIR

DoDM 4140.01-V10, March 9, 2017
Change 3, April 15, 2019

**e. Include ICP and Product Group Column Entries.** Provide component owned secondary item inventory segregated by consumable retail, consumable wholesale, reparable retail, and reparable wholesale for each of the required asset categories. Include a column in the SSIR for the:

1. **AAO.** Under this column, report the dollar value sum of the on-hand inventory columns of the AAO line within the AAO and retention stratification position for the various reporting segments (consumable or reparable and retail or wholesale).

2. **War Reserve Materiel.** Report the portion of the on hand AAO assets that apply to the pre-positioned war reserve, protectable; the other war reserve, protectable; the balance pre-positioned war reserve; and the balance other war reserve from the AAO and retention stratification position for the various reporting segments in this category. War reserve materiel is a memorandum entry that should not be excluded from the AAO column entry.

3. **In Transit Stock.** For purposes of the SSIR, in transit stock is equivalent to exempt stock in Paragraph 3.4.a. Identify in transit stock in accordance with Table 3 and provide its value.

4. **Economic Retention Stock (ERS).** Report the on hand assets in the ERS line of the AAO and retention stratification position for the various reporting segments in ERS category.

5. **Contingency Retention Stock (CRS).** Report the on hand assets in the CRS line of the AAO and retention stratification position for the various reporting segments in CRS category.

6. **Potential Reutilization Stock (PRS).** Report the on hand assets in the PRS line of the AAO and retention stratification position for the various reporting segments. Value the PRS at its salvage value as given in Paragraph 3.5.f.

7. **Anticipated Condemnations.** Report the on hand assets in the anticipated condemnations line of the AAO and retention stratification position for the various reporting segments at each ICP in this category. Value the anticipated condemnations at their salvage value as given in Paragraph 3.5.f.

8. **ICP or Group Total.** Sum the AAO, in-transit stock, ERS, CRS, PRS, and the anticipated condemnations to derive the ICP or group total.

**f. Include Summary Line Entries.** Provide lines for column entities summed by consumable retail, consumable wholesale, reparable retail, and reparable wholesale. Include the PBL and CLS government-owned stock values in those summary lines. Provide summary line entries for:

1. **Investment Funds.** Include the sum of the assets where procurement was made through the use of investment funds.

2. **Revolving Funds.** Include the sum of the assets where procurement was made through the use of revolving funds. The Military Departments will only reflect one revolving fund for the various reporting segments. DLA will have two revolving funds entries: DLA
Energy and DLA Inventory. The DLA Inventory entry will include everything but the DLA Energy line.

g. Include Totals. Ensure the column totals of ICP entries and the corresponding column totals of funds entries equal each other. Include the PBL and CLS government-owned stock values in the total inventory SSIR lines.

4A.2. CONVENTIONAL MILITARY MUNITIONS REPORTING IN THE SSIR. In accordance with the submission procedures in Section 4.2 of this volume, the owning Military Service will complete a spreadsheet using the example in Table 4 with the subsections for:

a. Reporting Entity. Include its munition inventories with no exclusions.

b. Column Entries. Provide the total value of their munitions inventory, as well as RRMS, ERMS, CRMS, and PR/DS breakouts, in accordance with the procedures in Volume 6 of this manual.

c. Line Entries. Include all conventional military munitions under two categories:

(1) Munitions and related equipment.

(2) Missile systems and related equipment. Intercontinental ballistic missiles are not included.

4A.3. SUBMISSION FORMAT. The Military Departments and DLA will use the example SSIR spreadsheet in Table 4 as a template to build the file for their SSIR inventory data. The Office of the DASD(Logistics) will provide to the Departments and DLA, by mid-December of each year, any variations to the SSIR template and the template for conventional military munitions submission.

Table 4. Example SSIR Spreadsheet.

<table>
<thead>
<tr>
<th>SSIR Header Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization</td>
</tr>
<tr>
<td>As-of Date</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SSIR Spreadsheet Line Item Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY</td>
</tr>
<tr>
<td>Costing Method</td>
</tr>
<tr>
<td>ICP</td>
</tr>
<tr>
<td>Item of Supply</td>
</tr>
<tr>
<td>Retail or Wholesale</td>
</tr>
<tr>
<td>Consumable or Reparable</td>
</tr>
<tr>
<td>Source of Funding Code</td>
</tr>
</tbody>
</table>
### Table 4. Example SSIR Spreadsheet, Continued

<table>
<thead>
<tr>
<th>SSIR Spreadsheet Line Item Information</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anticipated Condemnations</td>
<td>Enter the $ value (in thousands) of the inventory not expected to survive repair</td>
</tr>
<tr>
<td>Approved Acquisition Objective Stock</td>
<td>Enter the $ value (in thousands) of the inventory stratified to the total AAO</td>
</tr>
<tr>
<td>Total Munitions Requirement (TMR)</td>
<td>Enter the $ value (in thousands) of the inventory stratified to the complete TMR for conventional military munitions only</td>
</tr>
<tr>
<td>War Reserve Stock</td>
<td>Enter the $ value (in thousands) of the inventory stratified to the pre-positioned war reserve (protectable and balance) and the other war reserve (protectable and balance)</td>
</tr>
<tr>
<td>In-Transit Stock</td>
<td>Enter the $ value of the inventory (in thousands) identified as in-transit (between government locations or between the government and contractor locations)</td>
</tr>
<tr>
<td>Economic Retention Stock</td>
<td>Enter the $ value of the inventory (in thousands) stratified to economic retention</td>
</tr>
<tr>
<td>Contingency Retention Stock</td>
<td>Enter the $ value of the inventory (in thousands) stratified to contingency retention</td>
</tr>
<tr>
<td>Potential Reutilization Stock</td>
<td>Enter the $ value of the inventory (in thousands) stratified to potential reutilization</td>
</tr>
<tr>
<td>RRMS</td>
<td>Enter the $ value (in thousands) stratified to requirements retention. (For conventional military munitions only)</td>
</tr>
<tr>
<td>ERMS</td>
<td>Enter the $ value (in thousands) stratified to economic retention. (For conventional military munitions only)</td>
</tr>
<tr>
<td>CRMS</td>
<td>Enter the $ value (in thousands) stratified to contingency retention. (For conventional military munitions only)</td>
</tr>
<tr>
<td>PR/DS</td>
<td>Enter the $ value (in thousands) stratified to reutilization / disposal. (For conventional military munitions only)</td>
</tr>
</tbody>
</table>
SECTION 5: SEMI-ANNUAL INVENTORY MANAGEMENT REVIEWS

5.1. PURPOSE OF REVIEWS. The semiannual reviews will help DoD inventory management meet goals. Twice each FY, the Military Services and DLA will conduct a review of the status of their secondary item inventories as of the end of September and the end of March. They will also review their actions to improve inventory management, including ongoing actions to meet DoD inventory management goals. The DASD(Logistics) will provide specific guidance (e.g., a template) on the requirements for the inventory review. The Military Services and DLA will:

a. Provide a briefing with the results of the reviews to inform the DASD(Logistics) of opportunities for improvement in inventory management and the success of on-going improvement actions across and within the Military Services and DLA. The objective of the briefing is to jointly review changes in inventory values to:

   (1) Identify needed updates to materiel management policy and procedures to improve the effectiveness of inventory acquisition and retention practices.

   (2) Evaluate the effectiveness of inventory management improvement actions.

   (3) Identify inventory management challenges and develop solutions through OSD policy and procedures that are managerially and technically sound and adequately resourced.

b. Include a comprehensive status of Military Service and DLA inventories, including:

   (1) Stratification data.

   (2) Contractor-managed DoD-owned assets not included in the stratification data.

   (3) Other relevant information.

5.2. CONTENT OF REVIEWS. The Military Services and DLA will provide a review of their inventory with a narrative as described in Table 5.

<table>
<thead>
<tr>
<th>Inventory Review Due at</th>
<th>From</th>
<th>Includes</th>
<th>Narrative Reviews will:</th>
</tr>
</thead>
<tbody>
<tr>
<td>End of September</td>
<td>Military Services</td>
<td>Conventional military munitions inventory</td>
<td>• Break down each inventory segment</td>
</tr>
<tr>
<td></td>
<td>Military Services and DLA</td>
<td>Narrative reviews of secondary item inventory</td>
<td>• Explain changes in inventory</td>
</tr>
<tr>
<td>End of March</td>
<td>Military Services and DLA</td>
<td>Narrative reviews of secondary item inventory</td>
<td>• Analyze inventory trends over the past 2-5 years</td>
</tr>
</tbody>
</table>

Table 5. Content of Inventory Reviews
a. For secondary item inventory, the Military Services and DLA will:

(1) Provide the current value of the inventory segmented into the various requirements. The Military Services and DLA will provide the value for all serviceable assets at MAC and all unserviceable assets at carcass value.

(2) Discuss significant changes to inventory segments, citing management actions or other reasons why inventory migrated from one segment to another.

(3) Identify major drivers (e.g., funding issues, new or retiring weapon systems) to secondary item stratification categories.

(4) Identify actions taken to improve inventory management and achieve established DoD, Military Service, and DLA goals for the respective categories as well as challenges encountered that precluded achieving the goals.

(5) Identify any requests for assistance in changing DoD level policy or procedures to alleviate inventory management barriers.

b. For conventional military munitions reporting, the Military Services will:

(1) Provide the current value of munition assets by the stratification categories delineated in Volume 6 of this manual.

(2) Discuss any significant changes to categories.

5.3. REVIEW TIMEFRAMES. The Military Services and DLA will base the end-of-September review on the inventory data that is input to their annual SSIR submission and the end-of-March review on the same data less data for conventional military munitions.

a. SSIR Review Period. DASD(Logistics) will provide a submission format for preparing the SSIR. The Military Services and DLA will submit:

(1) Secondary item inventory data from the 30 September cycle by February 15 of the following year.

(2) Secondary item inventory data from the March 31 cycle by August 15.

(3) Conventional military munitions data (using the DASD(Logistics)-provided submission format to the Military Services) from the September 30 cycle by February 15 of the following year.

b. Review Period. The Military Departments and DLA will present the semi-annual inventory status using the DASD(Logistics) provided presentation template.

(1) Each Military Service and DLA will submit the inventory status presentation and supporting data at least 5 work days before the actual date of the scheduled review with the DASD(Logistics).
(2) The DASD(Logistics) will conduct inventory reviews in the February to March timeframe for September 30 cycle and the August to September timeframe for March 31 cycle.
SECTION 6: INVENTORY STRATIFICATION

6.1. PURPOSE OF STRATIFICATION. For the inventories that the Military Services and DLA manage and are on hand, due in, or on order, the Military Services and DLA will stratify requirements and assets at the individual item NSN level in the priority and time sequence prescribed below. The stratification of inventory requirements and assets provides input to:

a. The DoD SSIR addressed in Section 4 of this volume.

b. Inventory management reviews addressed in Section 5 of this volume.

c. DoD supply chain enterprise metrics addressed in Section 7 of this volume.

d. The internal efforts of Military Services and DLA to improve their inventory management improvement efforts, their budget submissions, and their computation of internal inventory management metrics.

6.2. SECONDARY ITEM STRATIFICATION REQUIREMENTS.

a. The Military Services and DLA will:

   (1) Stratify their secondary item inventory at a minimum semi-annually.

   (2) Develop and maintain the applicable stratification positions for the periods shown in Table 6.

   (3) Use the cutoff date in Table 6 as the last date in the period represented by the data. For example, the data for September 30 are the actual requirements and assets as of the end of the FY.

   (4) If a position includes future FY (one to three), project the requirements and assets for those years as of the end of projected months. For the positions with cutoff dates in December, March, and June, future FY 1 is the current year.

Table 6. Stratification Process

<table>
<thead>
<tr>
<th>Cutoff Date</th>
<th>OSD Submission</th>
<th>Period Represented by Actual Data</th>
<th>Projected Months in Future FY 1</th>
<th>Projected Months in Future FY 2</th>
<th>Projected Months in Future FY 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30</td>
<td>Yes</td>
<td>Past 12 months</td>
<td>1 – 12</td>
<td>13 – 24</td>
<td>-</td>
</tr>
<tr>
<td>December 31</td>
<td>No</td>
<td>Past 3 months</td>
<td>4 – 12</td>
<td>13 – 24</td>
<td>25 – 36</td>
</tr>
<tr>
<td>March 31</td>
<td>Yes</td>
<td>Past 6 months</td>
<td>7 – 12</td>
<td>13 – 24</td>
<td>25 – 36</td>
</tr>
<tr>
<td>June 30</td>
<td>No</td>
<td>Past 9 months</td>
<td>10 – 12</td>
<td>13 – 24</td>
<td>25 – 36</td>
</tr>
</tbody>
</table>
b. The Military Services and DLA may stratify secondary item inventory and develop the associated stratification positions for the other monthly or quarterly cycles.

c. The Military Services and DLA may develop stratification positions that project requirements and assets for more than 3 years for internal analysis and management purposes. See Paragraph 6.3 for guidance on specific stratification positions, including the mandatory AAO and retention position in Paragraph 6.3.b.

d. The Military Services and DLA will:

(1) Use the stratification process to provide dollar value and quantity views of requirements and assets for the end of the reporting cycle (or opening position) and for future FYs (future budget and retention positions).

(2) Take asset quantities from total item property records maintained by the Military Departments and DLA in accordance with Volume 5 of this manual.

(3) Use the stratification process to simulate how requirements and assets change in future years and:

(a) Produce future positions.

(b) Properly account for the procurement or repair lead time period of each item.

(c) Reduce duplication of the requirements, assets, and deficits across the FYs.

6.3. SECONDARY ITEM STRATIFICATION POSITIONS. The Military Services or DLA may use the stratification process to provide up to three major groups of stratification positions with multiple stratification positions in each group. The three major groups are:


(1) Opening Position. The Military Services and DLA can use the opening position:

(a) As an overview of supportability status (i.e., sufficient or insufficient assets) as of the asset cutoff date.

(b) To determine if sufficient assets are available to support requirements by comparing the immediate operating requirements for each NSN (i.e., pipelines and levels) to the serviceable on hand and due in assets, unserviceable assets to be repaired, and on order assets.

(c) To determine trends in the pipeline and level requirements.

(2) Asset Readiness Position. Military Services or DLA may:

(a) Produce and use the asset readiness position to assess their ability to fill requirements with the assets on hand on the cutoff date. The Military Services and DLA may use this optional stratification position to aid their internal management of on hand assets.
(b) Use the asset readiness position as an optional stratification position for a given set of items to provide the ready for issue status of the assets as of the cutoff date.

1. This position excludes the total requirements objective line and adds two unique lines identifying the minimum on hand objective and maximum on hand objective.

2. The set of items stratified in this position could be all items with an on hand requirement or only items with a war reserve requirement.

b. Budget and Retention Positions. The budget and retention positions consist of the required AAO and retention position and the optional FY positions. The Military Services and DLA may use the FY positions in their budget preparation. The Military Services and DLA will:

1. Use the AAO and retention position to:

   (a) Portray on hand and on order assets as of the cutoff date against requirements through the budget period. In accordance with Table 6, the Military Services and DLA will include only 2 years of projected demand in the AAO demand requirement for the September cutoff date. The AAO demand requirement is described in Table 1 of this volume. The Military Services and DLA may choose to:

   1. Include only 2 years of projected demand in the demand requirement for the December, March, and June cutoff dates.

   2. Track the transition from September to the next September by including 33, 30, and 27 months of projected demand in the demand requirement for the December, March, and June cutoff dates, respectively.

   (b) Identify inventory held for current requirements, inventory held for future use, and inventory that needs to be reviewed for potential disposal.

2. Use FY 1 stratification position to provide stratification based on a single point in time, i.e., a snapshot at the cutoff date of the projected requirements (forecasted demands, pipelines, and levels).

   (a) The FY 1 position is calculated with any buy deficits for the balance of the first FY (e.g., 6 months for the March 31 cycle) and resulting simulated procurements.

   (b) All assets except the unserviceable returns and retail repairs are portrayed as of the cutoff date.

   (c) Unserviceable returns and retail repairs are projected from the beginning to the end of FY one.

3. Use FY 2 stratification position to provide a stratification that portrays the asset balance resulting from demands (items issued) and any simulated procurement receipts during FY 1, and projected requirements (forecasted demands, pipelines, and levels) for FY 2. The FY 2
position is calculated with any buy deficits for the 12 months following FY 1 and resulting simulated procurements.

(a) All assets except the unserviceable returns and retail repairs are portrayed as of the end of FY 1.

(b) Unserviceable returns and retail repairs are projected from the beginning to the end of FY 2.

(4) Use FY 3 stratification position to provide a stratification using the asset balance resulting from demands (issues) and any simulated procurement receipts during FY 2, and projected requirements (forecasted demands, pipelines, and levels) for FY 3. The FY3 position is calculated with any buy deficits for the 12 months following FY 2 and resulting simulated procurements.

(a) All assets except the unserviceable returns and retail repairs are portrayed as of the end of FY 3.

(b) Unserviceable returns and retail repairs are projected from the beginning to the end of FY 3.

c. Repair Stratification. The Military Services and DLA may use repair stratification as part of maintenance planning, as an optional group of positions similar to budget positions. Repair positions focus on supportability status through repair.

6.4. SECONDARY ITEM STRATIFICATION PROCESSING. The Military Services and DLA use the stratification process by each stratification position to prioritize requirements and sequence assets from most readily available for issue to least readily available. The Military Services and DLA will:

a. Prepare the stratification of assets against requirements in accordance with Table 7, starting with the most urgent requirement applicable to an item and the item’s most readily available assets. Apply this stratification for all items until all of their assets are counted against their requirements.

<table>
<thead>
<tr>
<th>If...</th>
<th>Then...</th>
</tr>
</thead>
<tbody>
<tr>
<td>A portion of the item’s most readily available assets fill the requirement</td>
<td>• Count and apply the portion of the item’s assets that fill that requirement; then • Apply the remaining assets against the next most urgent requirement.</td>
</tr>
<tr>
<td>The item’s most readily available assets do not fill the requirement</td>
<td>• Apply those assets to that requirement; then • Apply the next most readily available assets against the unfilled portion of the requirement.</td>
</tr>
</tbody>
</table>
b. Begin the stratification process with the on hand assets, on order assets, requirement levels, demand forecast, demand procurement, and repair lead times as of the cut-off date. Continue with the projection of the asset status and requirement status at future points in time. The future points in time differ by the stratification position being produced and the cutoff date.

(1) The assets and requirements for the opening position and asset readiness position are as of the cut-off date.

(2) The AAO and retention position holds the asset position as of the cutoff date. The AAO and retention position’s demand requirements are projected through the budget year.

(3) The FY positions simulate procurements and receipts for each FY period, adjusting the inventory position for each subsequent FY beyond the cutoff date. The FY positions’ demand requirements are projected from the beginning of each FY through the end of each FY, respectively.

(4) The projections for positions, other than the opening position and asset readiness position, will span:

   (a) The stratification at the end of a FY (i.e., end of September cutoff), the projection for the AAO and retention position is through 2 years, which is the budget period.

   (b) The stratification at a cutoff date other than the end of a FY (i.e., end of March cutoff), the projection for the AAO and retention position may be over a 2-year period or may include the remainder of the current year plus the future 2-year budget period.

   (c) FY positions, the projection is over the respective FY.

(5) Only the projections for positions should simulate adjustments to the inventory position over the projection period. Where applicable, key adjustments should include changes resulting from:

   (a) Demand. Forecasts customer demands (i.e., demand plans) will deplete assets over the projection period.

      1. Demand plans could change as forecasts change or demand could be straight-lined (e.g., constant demand).

      2. Planned program stock or requirements (as addressed in Volume 2 of this manual) should be included in the demand plans if they are scheduled to occur during the projection period.

   (b) Serviceable returns. Returns from customers of serviceable assets must be included based on forecasts or on planned returns.

   (c) Unserviceable returns. Demand for depot level reparable (DLR) items may have an associated unserviceable return or may not if the demand is for a new requirement or if the unserviceable return is lost.
(d) Repairs. The scheduling of repair and actual repair of DLR assets can change their condition from unserviceable and not scheduled or not inducted to unserviceable and scheduled or inducted to serviceable.

(e) Condemnations. During the repair process, DLR assets may be beyond repair and dropped from the assets as condemnations.

1. A portion of all unserviceable assets is identified as non-recoverable or anticipated condemnation based on item condemnation rates.

2. Condemnations will be subtracted from the total assets and the resulting assets will be stratified against requirements and other lines in the stratification position.

(f) Procurements. As assets are issued or condemned, materiel buys are initiated, awarded, and received in order to have the assets needed to meet future demand.

(g) Resetting of requirements. Requirements levels could be held constant or could change as a result of the execution of the requirements determination process with new demand, repair, condemnation rates, and return forecasts and new asset levels.

(h) Inflation. If the historical experience of a Military Service or DLA shows that inflation can be expected to change acquisition prices during the projection period, use the inflation factors to account for those changes in assigning the value of levels.

c. Start the urgency sequence for levels with AAO requirements, followed by retention stocks, and end with PRS. Stratify as:

(1) War reserve requirements that are pre-positioned and other war reserve requirements that were both funded with congressionally approved appropriations.

(2) Retail requisitioning objective if the managing Military Service or DLA is including retail requirements and assets in its stratification process.

(3) Stock due out (e.g., on hand backorders).

(4) Demand, if the stratification position involves a projection.

(5) Insurance stockage objective, numeric stockage objective, limit demand objective, or high demand variation objective, whichever applies for non-forecastable items.

(6) Safety level, repair cycle level (for reparable items only), production lead time level, administrative lead time level, and economic order quantity, in this order, for forecastable items.

(7) The respective level of stock for items managed by a contractor that are not stratified by the procedures in Paragraphs 6.4.c(1) to 6.4.c(6).

(8) The respective level of stock for items with weapon system program stock that are not stratified by the procedures in Paragraphs 6.4.c(1) to 6.4.c(6).
(9) The actual or projected buy quantity for DMSMS items, if a LOT buy was initiated as a proactive action in response to an impending loss of manufacturers or raw materials but has not been received. Once a LOT buy is received, stratify into the appropriate AAO requirements and retention categories.

(10) The balance of war reserve requirements that are the level of stock against pre-positioned and other war reserve requirements that were not funded with congressionally approved appropriations.

(11) The economic retention level or level of stock against the limit, although not an AAO requirement.

(12) The level of stock held for contingency reasons by reason code, although not an AAO requirement.

(13) The remaining level of stock that is excess to the requirements in Paragraph 6.4.c(1) to 6.4.c(12) and labeled PRS.

d. Start the availability sequence for assets with serviceable on hand assets, followed by unserviceable assets, and end with on-order assets. Stratify as:

(1) Retail repairs that are the portion of demand that is fulfilled by retail repairs, although not an asset. This is only applicable when the demand requirement is based on retail demand, and then retail repairs only apply against the demand requirement.

(2) Serviceable on hand.

(3) Serviceable due ins (i.e., serviceable returns).

(4) Unserviceable on hand scheduled or inducted for repair.

(5) Unserviceable on hand not scheduled for repair.

(6) Unserviceable due ins (i.e., unserviceable returns).

(7) On order contract.

(8) On order commit.

6.5. SUBMISSION OF SECONDARY ITEM STRATIFICATION DATA TO OSD. The Military Services and DLA will:

a. Submit secondary item stratification data to DASD(Logistics) twice a year:

(1) February 15th for secondary item stratification data with September 30th as the cutoff date.

(2) August 15th for secondary item stratification data with March 31st as the cutoff date.
b. Submit summary and item stratification lines for the opening position and for the AAO and retention position.

c. Reflect the summary data, including inflation factors, in total quantities and total dollar values either at standard price, MAC, or LAC.

d. Reflect the item data quantities and include all applicable and available item value and price data addressed in Paragraph 3.5 as of the cutoff dates.

6.6. CONVENTIONAL MILITARY MUNITIONS STRATIFICATION REPORTING. In addition to the stratification of secondary items, the Military Departments will stratify their conventional military munition inventories in support of the cross-leveling procedures found in Appendix 6B. For stratification reporting of conventional military munitions, the Military Departments will:

a. Submit the external stratification report to the Office of the Executive Director for Conventional Ammunition (OEDCA), and the other Military Departments annually by the end of each January to provide enough time to prepare for the cross-leveling conference. OEDCA will provide copies of the reports to the offices of the Assistant Secretary of Defense for Acquisition (ASD(A)), the ASD(S), and the Joint Chiefs of Staff Director for Logistics (J-4).

b. Based on the September 30 annual inventory for conventional military munitions, the external stratification report will include:

   (1) A list of only those conventional military munitions items stratified in the categories of RRMS, ERMS, CRMS, and PR/DS as specified in Section 6 of Volume 6 of this manual.

   (2) Data at the Military Department level showing the total inventory, and the RRMS, ERMS, CRMS, and PR/DS for each conventional military munitions item listed.

   (3) The unit cost and the total dollar value, using MAC or LAC as appropriate, for each conventional military munitions item included in the stratification report.
APPENDIX 6A: DETAILS OF THE SECONDARY ITEM STRATIFICATION POSITIONS

6A.1. AAO AND RETENTION POSITION. The Military Services and DLA will:

   a. Use AAO and retention stratification position to provide inventory status for:

      (1) Inventory held for sale or issue up through budget period.

      (2) Inventory held in applicable retention categories.

      (3) Inventory potentially no longer needed as of the cutoff date.

   b. Exclude the exempt inventories cited in Paragraph 3.4.a from all stratification positions.

   c. Use the value of the total demands developed in the corresponding budget stratification positions or their equivalent for the FYs 1, 2, and 3 total demands.

   d. Use the example in Table 8 to display the status of inventory for the AAO and retention position.

   e. Record assets only once among the column entries and apply only once against the requirements in this stratification position.

   f. Consider only the assets as reflected in the column entries. Leave a column entry blank if that population of assets is not applicable or the assets are already included in another column entry for this position.

   g. Provide inventory status using the layout example in Table 8 with the information for each column as described in Table 9 and the requirements as described for each line in Table 10.

   h. Record requirements only once among the line entries in the AA&O and retention stratification position as described in Table 10.

      (1) Reflect the requirements that will be considered.

      (2) Leave a line entry blank if that requirement is not applicable or the requirement is already included in another line entry for this position.

      (3) Complete line entries as shown in the example in Table 8 using the descriptions of the requirements for each line in Table 10.
## Table 8. Example Layout for AAO and Retention Position

<table>
<thead>
<tr>
<th>Line</th>
<th>AAO and Retention Position Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
<th>Column 4</th>
<th>Column 5</th>
<th>Column 6</th>
<th>Column 7</th>
<th>Column 8</th>
<th>Column 9</th>
<th>Column 10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(as of DD MMM YYYY)</td>
<td>Requirements</td>
<td>Retail Repairs</td>
<td>Serviceable On Hand</td>
<td>Serviceable Due In</td>
<td>Unserviceable Scheduled or Inducted for Repair</td>
<td>Unserviceable Not Scheduled</td>
<td>Unserviceable Due-In</td>
<td>On Order Contract</td>
<td>On Order Commit</td>
</tr>
<tr>
<td>1</td>
<td>Total Assets</td>
<td>TTTTTT</td>
<td>TTTTTT</td>
<td>TTTTTT</td>
<td>TTTTTT</td>
<td>TTTTTT</td>
<td>TTTTTT</td>
<td>TTTTTT</td>
<td>TTTTTT</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Anticipated Condemnation</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Prepositioned War Reserve, Protectable</td>
<td>XXXXXXXX</td>
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<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
</tr>
<tr>
<td>4</td>
<td>Other War Reserve, Protectable</td>
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<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
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</tr>
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<td>AAAA</td>
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<td>Fiscal Year 1 Total Demands</td>
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<tr>
<td>7A</td>
<td>Fiscal Year 1 Total Demands</td>
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<td>Fiscal Year 2 Total Demands</td>
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<td>AAAA</td>
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</tr>
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<td>Contractor-Managed Stock</td>
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<td>AAAA</td>
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</tr>
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<td>Weapon System Program Stock</td>
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</tr>
<tr>
<td>17A</td>
<td>Balance Prepositioned War Reserve</td>
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<td>AAAA</td>
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<td>AAAA</td>
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</tr>
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<td>17B</td>
<td>Balance Other War Reserve</td>
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<td>AAAA</td>
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<td>AAAA</td>
<td>AAAA</td>
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</tr>
<tr>
<td>18</td>
<td>Total Approved Acquisition Objective</td>
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<td>Economic Retention Stock</td>
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<tr>
<td>20</td>
<td>Contingency Retention Stock (CRS)</td>
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<td>20A</td>
<td>CRS Code C Contingency Stock</td>
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<td>AAAA</td>
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<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
</tr>
<tr>
<td>20B</td>
<td>CRS Code F Contingency Stock</td>
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<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
</tr>
<tr>
<td>20C</td>
<td>CRS Code P Contingency Stock</td>
<td>XXXXXXXX</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
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</tr>
<tr>
<td>20D</td>
<td>CRS Code H Contingency Stock</td>
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<td>AAAA</td>
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<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
</tr>
<tr>
<td>20E</td>
<td>CRS Code W Contingency Stock</td>
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<td>AAAA</td>
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</tr>
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<td>20F</td>
<td>CRS Code M Contingency Stock</td>
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<td>AAAA</td>
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<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
</tr>
<tr>
<td>21</td>
<td>Potential Reutilization Stock</td>
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<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
</tr>
</tbody>
</table>

### Legend provided to aid in understanding the example layout
- **T** = Total Assets
- **X** = Requirements
- **D** = Deficit
- **N** = Anticipated Condemnation
- **A** = Applied Assets
- **DD** = Deficit
- **DD MMM YYYY** = Cutoff Date in Days, month, and year
Table 9. Description of AAO and Retention Position Columns

<table>
<thead>
<tr>
<th>Column Number</th>
<th>Column Name</th>
<th>Description of Data in Columns</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Requirements</td>
<td>The quantitative requirements for the specific line entry as portrayed as of the asset cutoff date or simulated through the budget year.</td>
</tr>
<tr>
<td>2</td>
<td>Retail Repairs</td>
<td>Organizational and intermediate level repairs (e.g., repairs performed at an organizational level or intermediate facility) through the budget year for those Military Services that have visibility into this level of repair.</td>
</tr>
<tr>
<td>3</td>
<td>Serviceable On Hand</td>
<td>Assets due-in with condition codes A, B, C, and D.</td>
</tr>
<tr>
<td>4</td>
<td>Serviceable Due-in</td>
<td>The unserviceable assets on hand in condition M, condition code G if funds have been obligated, and due-in from contractor maintenance that are not exempted or reported in another asset column. DoD Components may elect to report unserviceable on-hand assets in condition F that are scheduled for maintenance in this column.</td>
</tr>
<tr>
<td>5</td>
<td>Unserviceable Scheduled or Inducted for Repair</td>
<td>The unserviceable assets on hand in condition code F, condition G if funds have not been obligated, and any condition code E, Q, or R that are not exempted or reported in another asset column.</td>
</tr>
</tbody>
</table>
Table 9. Description of AAO and Retention Position Columns, Continued

<table>
<thead>
<tr>
<th>Column Number</th>
<th>Column Name</th>
<th>Description of Data in Columns</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Unserviceable Not</td>
<td>The unserviceable assets due-in (including projected condemnations) simulated from the asset cutoff date through the budget year that are not exempted or reported in another asset column.</td>
</tr>
<tr>
<td></td>
<td>Scheduled</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Unserviceable Due-in</td>
<td>The unserviceable assets due-in (including projected condemnations) simulated from the asset cutoff date through the budget year that are not exempted or reported in another asset column.</td>
</tr>
<tr>
<td>8</td>
<td>On Order Contract</td>
<td>The assets due-in from procurement as of the asset cutoff date.</td>
</tr>
<tr>
<td>9</td>
<td>On Order Commit</td>
<td>The assets due-in from procurement as of the asset cutoff date that are not reported in the on order contract column for which a procurement request has been initiated and funded but a contract has not been awarded. Procurement requests that have been initiated but not funded should not be included as they would under-inflated the deficit column for purposes of budgeting.</td>
</tr>
<tr>
<td></td>
<td>Deficit</td>
<td>The difference when the available assets (columns 2 through 9) are insufficient to support a specific requirement (column 1) for lines 3 through 16. The deficits for lines 15 and 16 could be funded with either working capital funds or procurement funds depending on how those requirements are funded.</td>
</tr>
</tbody>
</table>
### Table 10. Description of the AAO and Retention Position Lines

<table>
<thead>
<tr>
<th>Line</th>
<th>Description of the Requirements in Each Line Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total Assets - The total assets that will be applied to the requirements in this stratification position or identified as anticipated condemnations.</td>
</tr>
<tr>
<td>2</td>
<td>Anticipated Condemnations - The portion of the total unserviceable assets on hand that is projected to be condemned based on the current washout rates during the overhaul and repair process. They will not be stratified against any requirement, nor will they be subtracted from the total assets. The resulting assets will be stratified against requirements and other lines in the stratification position.</td>
</tr>
<tr>
<td>3</td>
<td>Prepositioned War Reserve, Protectable - The portion of the prepositioned war reserve requirement that has been procured through the FY but excludes those prepositioned war reserve requirements that are unfunded or reported in another requirements line.</td>
</tr>
<tr>
<td>4</td>
<td>Other War Reserve, Protectable - The portion of the other war reserve requirement that has been procured through the budget year but exclude those other war reserve requirements that are unfunded or reported in another requirements line.</td>
</tr>
<tr>
<td>5</td>
<td>Retail Requisitioning Objective - The assets at retail supply activities that are within their requisitioning objective or retail allowance quantity.</td>
</tr>
<tr>
<td>6</td>
<td>Stock Due Out - The quantity of inventory requisitioned from the wholesale level of supply but no serviceable assets were available for issue.</td>
</tr>
<tr>
<td>7A</td>
<td>FY 1 Total Demands - The total dependent and independent demands or total recurring and non-recurring demands for FY 1. Except for planned program stock requirements as described in Volume 2 of this Manual, the demand requirement does not apply to insurance, numeric, and limited demand stockage.</td>
</tr>
<tr>
<td>7B</td>
<td>FY 2 Total Demands - The total dependent and independent demands or total recurring and non-recurring demands for FY 2. Except for planned program stock requirements as described in Volume 2 of this Manual, the demand requirement does not apply to insurance, numeric, and limited demand stockage.</td>
</tr>
<tr>
<td>7C</td>
<td>FY 3 Total Demands - The total dependent and independent demands or total recurring and non-recurring demands for FY 3, when necessary. Except for planned program stock requirements as described in Volume 2 of this Manual, the demand requirement does not apply to insurance, numeric, and limited demand stockage.</td>
</tr>
<tr>
<td>8A</td>
<td>Insurance Stockage - For insurance items, reflect the authorized quantity of inventory.</td>
</tr>
<tr>
<td>8B</td>
<td>Numeric Stockage - For numeric stockage objective items with limited demand, reflect the authorized quantity of inventory.</td>
</tr>
</tbody>
</table>
### Table 10. Description of the AAO and Retention Position Lines, Continued

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>8C</td>
<td>Limited Demand Stockage - For non-forecastable items with limited demand, reflect the quantity of inventory that is the maximum (i.e., requirements objective) out of their rule-based computation.</td>
</tr>
<tr>
<td>8D</td>
<td>High Demand Variation Stockage - For non-forecastable items with high demand variation, reflect the quantity of inventory that is the maximum (i.e., the requirements objective) out of their rule-based computation.</td>
</tr>
<tr>
<td>9</td>
<td>Safety Level - For forecastable items, reflect the quantity of inventory required to be on hand to permit continued operation in the event of minor interruption of normal replenishment or a fluctuation in demand.</td>
</tr>
<tr>
<td>10</td>
<td>Repair Cycle Level - For forecastable items, reflect the quantity of inventory that should be on-hand to meet demands while an unserviceable asset is going through retrograde (e.g., transfer of the unserviceable asset from the operating unit to the ICP) and repair (e.g., transfer of the unserviceable asset to maintenance, turn-around-time in maintenance, and return of the repaired asset to storage) that is not reported in another requirements line.</td>
</tr>
<tr>
<td>11</td>
<td>Production Lead Time Level - For forecastable items, reflect the net quantity of dependent and independent demands or the recurring demands that would be required to support operations within the production lead time period.</td>
</tr>
<tr>
<td>12</td>
<td>Administrative Lead Time Level - For forecastable items, reflect the net quantity of dependent and independent demands or the recurring demands that would be required to support operations within the administrative lead time period.</td>
</tr>
<tr>
<td>13</td>
<td>Procurement Cycle and Economic Order Quantity - For forecastable items, reflect either the coverage duration or procurement cycle quantity (e.g., optimal inventory to cover intervals between procurement actions) or economic order quantity (EOQ) (e.g., optimal inventory based on order versus hold costs).</td>
</tr>
<tr>
<td>14</td>
<td>LOT Buy Quantity - For DMSMS items that are acquiring stock to meet a LOT objective, reflect the LOT buy quantity that is on order. On hand assets for DMSMS items should be captured in other lines.</td>
</tr>
<tr>
<td>15</td>
<td>Contractor-Managed Stock - Stocks that are managed by a contractor but are within the Defense Working Capital Fund, but are not captured in other stratification lines.</td>
</tr>
<tr>
<td>16</td>
<td>Weapon System Program Stock - Stocks that are held by a weapon system program manager for purposes of initial issue and sustainment. Assets for this requirement should be serviceable and only apply to this requirement.</td>
</tr>
<tr>
<td>17A</td>
<td>Balance Prepositioned War Reserve - The portion of the war reserve materiel that is unfunded by appropriation; any remaining unapplied but on-hand assets will be used to fill this requirement to the extent possible.</td>
</tr>
<tr>
<td>17B</td>
<td>Balance Other War Reserve - The portion of the war reserve materiel that is unfunded by appropriation; any remaining unapplied on-hand assets will be used to fill this requirement to the extent possible.</td>
</tr>
<tr>
<td></td>
<td>Description of the AAO and Retention Position Lines, Continued</td>
</tr>
<tr>
<td>---</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>18</td>
<td>Total Approved Acquisition Objective - Reflect the sum of the requirements, applied assets, and deficits for lines 3 through 16.</td>
</tr>
<tr>
<td>19</td>
<td>Economic Retention Stock - The maximum quantity of on hand inventory authorized (column 1) to be retained above the total AAO and the actual assets applied to this maximum (columns 2 through 7). In most cases, the actual assets applied will be less than the maximum. Any on order inventory on this line is long supply.</td>
</tr>
<tr>
<td>20A</td>
<td>Contingency Retention Stock (CRS) - The total quantity of inventory (i.e., the sum of lines 20A through 20F) authorized above the total AAO and economic retention for which there is no predictable demand or peacetime requirement but for which use in specific contingencies justifies retention. Any on order inventory on this line is identified as long supply.</td>
</tr>
<tr>
<td>20B</td>
<td>CRS Code C Contingency Stock - The quantity of contingency inventory held for reclamation and cannibalization.</td>
</tr>
<tr>
<td>20C</td>
<td>CRS Code F Contingency Stock - The quantity of contingency inventory held for potential security assistance.</td>
</tr>
<tr>
<td>20D</td>
<td>CRS Code P Contingency Stock - Reflect the quantity of contingency inventory held for procurement and re-procurement constrained items.</td>
</tr>
<tr>
<td>20E</td>
<td>CRS Code H Contingency Stock - The quantity of contingency inventory held for items with potential consumption above computed requirements.</td>
</tr>
<tr>
<td>20F</td>
<td>CRS Code W Contingency Stock - The quantity of contingency inventory held for essential items that are part of a weapon system exclusion.</td>
</tr>
<tr>
<td>20G</td>
<td>CRS Code M Contingency Stock - The quantity of contingency inventory held for military operational necessity.</td>
</tr>
<tr>
<td>21</td>
<td>Potential Reutilization Stock - The assets available for potential realignment within this stratification position, reuse.</td>
</tr>
</tbody>
</table>
6A.2. OPENING AND FY POSITIONS. The opening position (as of the asset cutoff date) and the three projected FY positions following the asset cutoff date are similar in content. The Military Departments and DLA may use the information from the positions to support the budget submissions in accordance with Volume 2 of DoD Financial Management Regulation 7000.14-R. The Military Departments and DLA will ensure there is no duplication of requirements, assets, and deficits across the FY positions.

a. The Military Departments and DLA will document the stratification using the columns in all of the positions as they are identified for the columns in the AAO and retention position, except the retail repairs column does not apply to the opening position.

b. The Military Departments and DLA may use the opening position stratification to provide the supportability status (e.g., sufficient or insufficient assets) as of the asset cutoff date.

c. The Military Departments and DLA will document opening position stratification as shown in the sample format in Table 11 and:

(1) Complete the rows in the opening and FY position in the same way as the AAO and retention position with these exceptions:

   (a) Do not use demand rows because the opening and FY position reflects requirements and asset on the asset cutoff date and involves no simulation.

   (b) Do not use the balance rows for war reserves, the total AAO row, the ERS row, the CRS rows, breakout rows, and the PRS row.

   (c) Include the total requirements objective in the final row after the procurement cycle or EOQ line. The total requirements objective is the maximum authorized quantity of stock for purposes of replenishment.

   1. For forecastable items, identify the sum of the safety level, repair cycle level, production lead time level, administration lead time level, and procurement cycle or EOQ.

   2. For non-forecastable items, identify the authorized numeric level or their rule-based objective level.

(2) In lines 7A through 7D, include assets that are non-forecastable items when the forecastable items are shown in lines 8 through 12.

d. The Military Departments and DLA may use the FY stratification position to simulate adjustments to the inventory position over the projection period including requirements (forecasted demands, pipelines, and levels), procurements, and assets for each FY period. The FY position is calculated with deficits for the specific FY. Table 12 is a sample format for displaying the FY stratification position.

(1) The Military Departments and DLA may include the quantities in the requirement levels that are the simulated or expected quantities at the end of the FY.
(2) The Military Departments and DLA may complete the rows in FY position in the same way as the opening position with the exception that the demand for the associated FY is reflected in line 7 and line 17 of Table 12 reflects the total requirements at the end of the year; that is, the requirements objective plus the demand requirement for the year.

(3) If budget positions are produced at the end of a FY, there should be only two FY positions in alignment with the 2-year budget period.
### Table 11. Example Layout for Opening Positions

<table>
<thead>
<tr>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
<th>Column 4</th>
<th>Column 5</th>
<th>Column 6</th>
<th>Column 7</th>
<th>Column 8</th>
<th>Column 9</th>
<th>Column 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Position</td>
<td>Requirements</td>
<td>Serviceable On Hand</td>
<td>Serviceable Due-In</td>
<td>Unserviceable Scheduled or Induced for Procure</td>
<td>Unserviceable Not Scheduled</td>
<td>Unserviceable Due-In</td>
<td>On Order Contract</td>
<td>On Order Commit</td>
<td>Deficit</td>
</tr>
<tr>
<td>Line (as of DD MMM YYYY)</td>
<td>Line(1-16)</td>
<td>TTTTTTT</td>
<td>TTTTTTT</td>
<td>TTTTTTT</td>
<td>TTTTTTT</td>
<td>TTTTTTT</td>
<td>TTTTTTT</td>
<td>TTTTTTT</td>
<td>DDD</td>
</tr>
<tr>
<td>1 Total Assets</td>
<td>TTTTTTT</td>
<td>TTTTTTT</td>
<td>TTTTTTT</td>
<td>TTTTTTT</td>
<td>TTTTTTT</td>
<td>TTTTTTT</td>
<td>TTTTTTT</td>
<td>TTTTTTT</td>
<td>DDD</td>
</tr>
<tr>
<td>2 Anticipated Condemnations</td>
<td>NNNNNN</td>
<td>NNNNNN</td>
<td>NNNNNN</td>
<td>DDD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Pre-positioned War Reserve, Protectable</td>
<td>XXXXX</td>
<td>AAAAA</td>
<td>AAAAA</td>
<td>AAAAA</td>
<td>AAAAA</td>
<td>AAAAA</td>
<td>AAAAA</td>
<td>AAAAA</td>
<td>DDD</td>
</tr>
<tr>
<td>4 Other War Reserve, Protectable</td>
<td>XXXXX</td>
<td>AAAAA</td>
<td>AAAAA</td>
<td>AAAAA</td>
<td>AAAAA</td>
<td>AAAAA</td>
<td>AAAAA</td>
<td>AAAAA</td>
<td>DDD</td>
</tr>
<tr>
<td>5 Retail Requisition Objective</td>
<td>XXXXX</td>
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<td>AAAAA</td>
<td>AAAAA</td>
<td>AAAAA</td>
<td>AAAAA</td>
<td>AAAAA</td>
<td>AAAAA</td>
<td>DDD</td>
</tr>
<tr>
<td>6 Stock Due Out</td>
<td>XXXXXXXX</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA DDD</td>
</tr>
<tr>
<td>7A Insurance Stockage</td>
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<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA DDD</td>
</tr>
<tr>
<td>7B Numeric Stockage</td>
<td>XXXXXXXX</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA DDD</td>
</tr>
<tr>
<td>7C Limited Demand Stockage</td>
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<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA DDD</td>
</tr>
<tr>
<td>7D High Demand Variation Stockage</td>
<td>XXXXXXXX</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
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<td>AAAA</td>
<td>AAAA DDD</td>
</tr>
<tr>
<td>8 Safety Level</td>
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<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA DDD</td>
</tr>
<tr>
<td>9 Repair Cycle Level</td>
<td>XXXXXXXX</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA DDD</td>
</tr>
<tr>
<td>10 Production Lead Time Level</td>
<td>XXXXXXXX</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA DDD</td>
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<td>11 Administrative Lead Time Level</td>
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<td>AAAA DDD</td>
</tr>
<tr>
<td>12 Procurement Cycle/Economic Order Quantity</td>
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<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA DDD</td>
</tr>
<tr>
<td>13 LOT Buy Quantity</td>
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<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA DDD</td>
</tr>
<tr>
<td>14 Contractor-Managed Stock</td>
<td>XXXXXXXX</td>
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<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
</tr>
<tr>
<td>15 Weapon System Program Stock</td>
<td>XXXXXXXX</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
</tr>
<tr>
<td>16 Total Requirements Objective</td>
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<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA DDD</td>
</tr>
</tbody>
</table>

Legend provided to aid in understanding the example layout

- T = Total Assets
- X = Requirements
- D = Deficit
- N = Anticipated Condemnations
- A = Applied Assets
- DD MMM YYYY = Cutoff Date in Days, month, and year
### Table 12. Example Layout for FY Position

<table>
<thead>
<tr>
<th>Line</th>
<th>FY # Position</th>
<th>Requirements</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
<th>Column 4</th>
<th>Column 5</th>
<th>Column 6</th>
<th>Column 7</th>
<th>Column 8</th>
<th>Column 9</th>
<th>Column 10</th>
<th>Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total Assets</td>
<td>TTTTTT</td>
<td>TTTTT</td>
<td>TTTTT</td>
<td>TTTTT</td>
<td>TTTTT</td>
<td>TTTTT</td>
<td>TTTTT</td>
<td>TTTTT</td>
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<td>TTTTT</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Anticipated Condemnations</td>
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<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>DDD</td>
</tr>
<tr>
<td>3</td>
<td>Pre-positioned War Reserve, Protectable</td>
<td>XX...XX</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>DDD</td>
</tr>
<tr>
<td>4</td>
<td>Other War Reserve, Protectable</td>
<td>XX...XX</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
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<td>AAAA</td>
<td>AAAA</td>
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<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>DDD</td>
</tr>
<tr>
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<td>Numeric Stockage</td>
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<td>AAAA</td>
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<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
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<td>DDD</td>
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<tr>
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<td>AAAA</td>
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<tr>
<td>8D</td>
<td>High Demand Variation Stockage</td>
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<td>AAAA</td>
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<td>AAAA</td>
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<td>AAAA</td>
<td>AAAA</td>
<td>AAAA</td>
<td>DDD</td>
</tr>
<tr>
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<td>AAAA</td>
<td>AAAA</td>
<td>DDD</td>
</tr>
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<td>AAAA</td>
<td>AAAA</td>
<td>DDD</td>
</tr>
<tr>
<td>13</td>
<td>Procurement Cycle/Economic Order Quantity</td>
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<td>AAAA</td>
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</tr>
<tr>
<td>14</td>
<td>LOT Buy Quantity</td>
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</tr>
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<td>Contractor-managed Stock</td>
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<td>AAAA</td>
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<td>AAAA</td>
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<td>DDD</td>
</tr>
<tr>
<td>16</td>
<td>Weapon System Program Stock</td>
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<td>AAAA</td>
<td>AAAA</td>
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<td>DDD</td>
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<tr>
<td>17</td>
<td>Requirements at End of Year</td>
<td>XX...XX</td>
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<td>DDD</td>
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</tbody>
</table>

Legend provided to aid in understanding the example layout:

- T = Total Assets
- X = Requirements
- D = Deficit
- N = Anticipated Condemnations
- A = Applied Assets
- DD MMM YYYY = Cutoff Date in Days, month, and year
APPENDIX 6B: CROSS-LEVELING OF CONVENTIONAL MILITARY MUNITIONS

6B.1. CROSS-LEVELING. The Military Departments will use their stratification of conventional military munition to allow for cross-leveling of assets across the Military Services without reimbursement. The Military Departments will:

a. Participate in the conventional military cross-leveling process.

b. Prioritize potential candidates for cross-leveling in the following order: PR/DS, CRMS, then ERMS.

c. Screen all conventional military munition inventory that are excess to another Military Department’s requirements before the other Department transfers it to the Resource Recovery and Disposition Account (RRDA) as DoD excess, unless safety issues require immediate disposal the excess.

d. Participate in the annual cross-leveling Quad Service Review (QSR) and review the other Military Departments’ annual external stratification reports of conventional military munition to identify potential cross-leveling opportunities and request logistics data for items of interest.

e. Participate in the quarterly reviews conducted by the ASD(A) and the OEDCA to discuss status of procurement profiles, cross-leveling transactions, and items acquired from the RRDA. Cross-leveling of assets among the Military Departments is a continual process.

f. Consider all stock in the ERMS, CRMS, and PR/DS, including conventional military munitions that was unclaimed by another Military Department and categorized for disposal within the past year, as potentially available for cross-leveling if other Military Departments have shortages in their RRMS.

g. Assess the acceptability of risk associated with reducing the stockpile to determine final availability of the ERMS and CRMS.

h. Maintain records that document cross-leveling activity.

i. Use details relative to ammunitions cross-leveling procedures that are in DoDD 5160.65 and in the Single Manager for Conventional Ammunition joint conventional ammunition procedures, which can be found on the Joint Ordnance Commanders Group website at www.us.army.mil/suite/page/631349.

6B.2. EMERGENCY REDISTRIBUTION. Only the geographic Combatant Commander may authorize emergency redistribution of RRMS. The geographic Combatant Commander may delegate this authority to a Military Department support commander, a joint force commander, or other commander as appropriate with verification from the issuing Military Service.
6B.3. **SUBMISSIONS.** In cross-leveling, the issuing Military Department will:

   a. Submit requisitions for emergency cross-leveling through their ammunition standard system.

   b. Complete asset reporting in accordance with the Military Department procedures in DoDI 8320.04 and the “DoD Guide to Uniquely Identifying Items,” and as directed by the Combatant Commander.

6B.4. **OEDCA.** Under the authority, direction, and control of the ASD(A), the OEDCA will:

   a. Compare the external stratification reports from each Military Department to the Single Manager for Conventional Ammunition’s integrated list of conventional military munitions planned for procurement obtained through the Ammunition Enterprise Portal, Budget, and Pricing Module using budget estimate submission.

   b. Provide the Secretaries of the Military Departments, the ASD(A), and the ASD(S) a list of conventional military munitions whose planned procurements potentially could be offset by cross-leveling from another Military Department at the annual QSR.

   c. Host the annual QSR with the ASD(A) to jointly discuss and determine potential cross-leveling opportunities and transfers from the RRDA.

   d. Document cross-leveling agreements and transfers from the RRDA made during the QSR, and throughout the year, between the Military Departments as appropriate.

   e. Conduct quarterly reviews to discuss the status of procurement profiles, cross-leveling transactions, and items acquired from the RRDA. RRDA screening and cross-leveling of assets among the Military Departments is an ongoing process.

   f. Provide minutes from the quarterly reviews and a final year-end summary of the transactions (cross-leveling and recovery from the RRDA) to the ASD(A), ASD(S), and the Secretary of each participating Military Department.
7.1. **SCOPE.** DoD materiel managers will evaluate and report the performance and cost of their supply chain operations and inventory. The metrics are used to monitor the DoD supply chain based on the supply chain attribute of providing the materiel needed to support weapon systems. DoD materiel managers will use supply chain metrics to monitor DoD supply chain performance based on these supply chain attributes:

a. Materiel readiness, or the ability of the supply chain to provide materiel needed to support weapon systems in undertaking and sustaining their assigned missions at planned peacetime and wartime utilization rates.

b. Responsiveness, or the ability of the supply chain to respond to customer materiel requests according to priority by providing the right support when and where needed.

c. Reliability of the supply chain providers to deliver required materiel support at a time and destination specified by the customer; the ability to maintain responsiveness over the measured horizon.

d. Cost or the U.S. dollar amount of supply chain resources required to deliver a specific outcome.

e. Planning and precision, or the ability of the supply chain to accurately anticipate customer requirements and plan, coordinate and execute accordingly.

7.2. **METRICS CONTENT.** The Military Departments and DLA will adopt metrics that:

a. Address the levels of supply chain operations. DoD Components look at supply chain operations at three levels that are building blocks from the highest at the enterprise level, down a level to the functional level and then to the program or process level within a Military Department or DLA. The Military Departments and DLA will adopt metrics at the:

(1) **Enterprise Level.** Use enterprise level metrics that are cross-functional measures to describe the overall effectiveness and to evaluate the performance and cost of supply chain operations.

(2) **Functional Level.** Use functional level metrics to support at least one enterprise level metric and measure a major function’s internal performance.

(3) **Program or Process Level.** Use program or process level metrics that are diagnostic and subordinate to functional level metrics. DoD Components can review sustainment strategies by utilizing program level performance metrics to compare actual performance against expected performance for weapon systems with established performance agreements.

b. Balance performance objectives across materiel readiness, planning and precision, reliability, and responsiveness considering cost constraints. This approach allows the Military
Departments and DLA to meet both strategic needs and the needs of customers, and to address performance and process improvement initiatives.

c. Serve as either the standard supply chain metrics defined in this volume or other metrics deemed necessary for addressing a specific program or unique supply chain operation.

7.3. USAGE. The Combatant Commanders, Military Departments, and DLA will use the supply chain metrics to:

a. Assess and evaluate performance against weapon system support and supply performance agreements, to include performance based logistics. The Military Departments and DLA will develop and use a flexible, real-time, on-line capability that can sort data and provide information by supply source, customer, weapon system, or other supply chain support characteristics to:

   (1) Monitor daily operations and trends in weapon system readiness support.

   (2) Assess and evaluate the results of completed logistics improvements involving materiel readiness, responsiveness, reliability, cost, and planning and precision.

   (3) Assess and evaluate the progress of ongoing logistics improvement initiatives, such as system modernization.

b. Monitor the efficient use of DoD resources.

c. Assess costs and benefits of supply chain operations.

d. Measure the responsiveness and reliability of logistics processes. TDD standards are not applicable for measuring timeliness in terms of customer wait time.

e. Capture and share distribution data, including cost data, to optimize distribution performance.

f. Establish comparison benchmarks where applicable.

g. Implement procedure and process changes based on the results of the metrics.

7.4. TDD STANDARDS. The Commander, United States Transportation Command, the Secretaries of the Military Departments, and Director, DLA use TDD standards to:

a. Measure timeliness for these metrics:

   (1) Logistics response time.

   (2) Wholesale perfect order fulfillment.

   (3) TDD.
b. Optimize distribution performance.

c. Provide the quarterly supply chain enterprise metric report on TDD compliance in the format and dates specified in instructions from the DASD(Logistics).

d. Implement procedure and process changes, as needed, based on the results of the metrics.

7.5. DOD SUPPLY CHAIN ENTERPRISE METRICS.

a. The DASD(Logistics):

   (1) Collects supply chain metrics from the Military Departments and DLA to analyze and track DoD supply chain enterprise metrics listed in Table 13.

   (2) Provides information on the use of the metrics in Table 13 and business rules governing their computation, submission, and display.

b. The Military Departments and DLA will report measurements for the supply chain metrics in Table 13 to the DASD(Logistics) using the business rules provided by the Office of the DASD(Logistics) for computation, submission, and display.
Table 13. DoD Supply Chain Enterprise Metrics

<table>
<thead>
<tr>
<th>Supply Chain Outcome or Attribute</th>
<th>Metrics</th>
</tr>
</thead>
</table>
| Materiel Readiness                | ● Not mission capable (NMC) rates including:  
|                                   | ○ NMC supply (NMCS) and NMC maintenance rates.  
|                                   | ○ For Navy ships, percent of time with C3/C4 casualty reports.  
|                                   | ○ NMCS and casualty report backorders.  |
| Responsiveness                    | ● Customer wait time for organizational maintenance.  
|                                   | ● Logistics response time.  
|                                   | ● Response time effectiveness.  |
| Reliability                       | ● TDD compliance.  
|                                   | ● Wholesale perfect order fulfillment.  
|                                   | ● Wholesale supply availability.  
|                                   | ● Materiel denial rates.  
|                                   | ● Inventory accuracy.  |
| Cost                              | ● Logistics cost baseline.  
|                                   | ● Value of secondary item inventory.  
|                                   | ● Supply management costs.  
|                                   | ● Supply management cost changes.  
|                                   | ● Inventory segmentation of items with no demand.  
|                                   | ● Tiered inventory turn.  
|                                   | ● Unserviceable DLR return asset write-offs.  |
| Planning and Precision            | ● Excess on hand.  
|                                   | ● Due-in long supply.  
|                                   | ● Demand forecast accuracy and bias.  
|                                   | ● Procurement lead time.  
|                                   | ● Lead time variance.  
|                                   | ● Unserviceable DLR return times.  
|                                   | ● Unserviceable DLR over-aged due-ins.  
|                                   | ● Inventory turnover.  |
G.1. ACRONYMS.

AAO approved acquisition objective
ASD(A) Assistant Secretary of Defense for Acquisition
ASD(S) Assistant Secretary of Defense for Sustainment
CLS contractor logistics support
CRMS contingency retention munitions stock
CRS contingency retention stock
DASD(Logistics) Deputy Assistant Secretary of Defense for Logistics
DLA Defense Logistics Agency
DLM defense logistics manual
DLR depot level reparable
DMSMS diminishing manufacturing sources and materiel shortages
DoDD DoD directive
DoDI DoD instruction
DoDM DoD manual
DWCF Defense Working Capital Fund
ERMS economic retention munitions stock
ERS economic retention stock
EOQ economic order quantity
FY fiscal year
LAC latest acquisition cost
LOT life of type
MAC moving average cost
NMC not mission capable
NMCS not mission capable supply
NSN national stock number
OEDCA Office of the Executive Director for Conventional Ammunition
PBL performance based logistics
PR/DS potential reutilization and disposal stocks
PRS potential reutilization stock
QSR Quad Service Review
RCS report control symbol
DoDM 4140.01-V10, March 9, 2017
Change 3, April 15, 2019

G.2. DEFINITIONS. Unless otherwise noted, these terms and their definitions are for the purpose of this volume.

administrative lead time. The time interval between initiation of a purchase request and the date of signature of a contract.

AAO. The quantity of an item authorized for peace time and war time requirements to equip and sustain U.S. and allied forces, according to current DoD policies and plans. That quantity must be sufficient to support other U.S. Government agencies, as applicable.

acquisition. Obtaining logistics support, supplies, or services under an acquisition agreement or under a cross-servicing agreement. This includes purchasing (whether for payment in currency, replacement-in-kind, or by exchange for equal value), renting, leasing, or any method of temporarily obtaining logistics support, supplies, or services.

anticipated condemnation. Inventory not expected to survive repair.

assembly. In logistics, an item forming a portion of equipment that can be provisioned and replaced as an entity and which normally incorporates replaceable parts or groups of parts.

asset readiness position. An assessment of how ready a DoD Component is to fill materiel requirements with the assets on hand on the cutoff date or a single point in time.

backorder. An unfilled portion of a requisition (for a stocked or a nonstocked item) that is not immediately available for issue, but is recorded as a commitment for future issue. If the commitment is to be filled by a future issue from stock, the backorder status returned to the customer will have a Status Code of “BB,” “BC,” “BD,” “BP,” or other Service unique code indicating it is backordered against stock. If the commitment is filled by a direct vendor delivery, the status returned to the customer has a Status Code of “BV” or “BZ.” Backorder is synonymous with unfilled customer order, stock due out, and materiel obligation.

cannibalization. Serviceable parts are removed from one item of equipment in order to install them on another item of equipment. The removed item may be replaced.

consignee. Defined in DLM 4000.25, Volume 1, Appendix 2.

consignor. Defined in DLM 4000.25, Volume 1, Appendix 2.

RRDA Resource Recovery and Disposition Account
RRMS requirement related munitions stock
SSIR supply system inventory report
TDD time-definite delivery
TMR total munitions requirement
USD(A&S) Under Secretary of Defense for Acquisition and Sustainment
**consumable item.** An item of supply or an individual item (except explosive ordnance and major end items of equipment) that is normally expended or used up beyond recovery in the use for which it is designed or intended.

**contingency retention.** Quantity of on hand inventory authorized above the AAO and economic retention for which there is no predictable demand or peacetime requirement but for which use in specific contingencies justifies retention.

**conventional military munitions.** Ammunition or munitions which are neither nuclear nor special weapons. The term does include conventional munitions that are part of nuclear weapons.

**CRMS.** The inventory quantity of an item greater than the RRMS that will be retained to support requirements not included in the TMR calculation. Assets retained for contingencies are intended for situations other than those already considered in the war reserve materiel or the TMRs. Contingencies may be defined as assets being set aside in special war reserve stock for allies; unpredictable homeland defense or counter narcotics missions; or unpredictable weapons system tests, demonstrations, or assets being retained until suitable replacement weapon systems arrive from the contract.

**cross-leveling.** The transfer of ownership of retention and potential reutilization assets of conventional military munitions between the Military Departments (including the U.S. Coast Guard) for application against a TMR shortfall. Cross-leveling does not pertain to assets designated as RRMS. Only retention level (ERMS and CRMS) and PR/DS are available for peacetime cross-leveling. Joint Staff procedures already exist pertaining to the allocation, distribution and redistribution of RRMS in wartime. Cross-leveling of conventional military munitions among the Military Departments, and screening of the RRDA account, is a continual process.

**customer wait time.** A measurement of the total elapsed time in days between the issuance of a customer order and satisfaction of that order. The following definitions apply to specific customer wait time metrics:

- **customer wait time for organizational maintenance.** A measurement of the total elapsed time between submission of a customer order from organizational maintenance and receipt of that order by organizational maintenance.

- **customer wait time for performance budget reporting.** The same as CWT for organizational maintenance except that a Military Service may elect to limit measurements to orders for items in their budget and management authority.

- **customer wait time for depot maintenance.** A measurement of the total elapsed time between submission of a customer order from depot maintenance and receipt of that order by depot maintenance.

**demand.** An indication of a requirement, a requisition or similar request for an item of supply or an individual item. Demands are categorized as either recurring or non-recurring.
**demand forecast accuracy and bias.** The difference between actual demand and forecasted demand, stated in a manner that quantifies any tendency towards over or under forecasting. The positive or absolute value of that difference is used for accuracy while the actual positive or negative value (or signed value) of that difference is used for bias.

**distribution.** Defined in the DoD Dictionary of Military and Associated Terms.

**due-in long supply.** The dollar value of that portion of secondary item on-contract procurements that exceed item AAO. Like excess on hand, that portion of due-in long supply that stratifies to PRS is considered excess long supply.

**economic retention.** Stock above AAO that is more economical to retain than to dispose of and then potentially repurchase. The economic retention limit is the maximum quantity of on hand materiel that may be retained in stock, as the applicable retention rules determine. Inventory that is more economical to retain for future predicted demand than to dispose of and have to repurchase later.

**end item.** A final combination of end products, component parts, or materials that is ready for its intended use, e.g., ship, tank, mobile machine shop, or aircraft.

**end-user.** That individual or organizational element authorized to use supply items. The end-user is normally the terminal point in the logistics system at which action is initiated to obtain materiel required to accomplish an assigned mission or task.

**equipment.** Personal property that is functionally complete for its intended purpose, durable, and nonexpendable. Equipment generally has an expected service life of 2 years or more; is not intended for sale; does not ordinarily lose its identity or become a component part of another article when put into use; and has been acquired or constructed with the intention of being used.

**ERMS.** The inventory quantity of an item that remains after RRMS is calculated provided the Military Service can reasonably predict future usage, testing and training requirements beyond the range of RRMS. Assets categorized as ERMS are applicable to an active weapon system's purpose, its product of life-cycle support plan, and the decision to retain the asset is economically sound, based on a number of factors including but not limited to future acquisition costs or manufacturing capabilities. The ERMS category also serves to resupply depleted RRMS assets and prevent premature or inadvertent purging of the Military Service’s inventories of munitions planned for availability beyond the 5-year Defense Plan.

**excess.** Items of DoD Component owned property that are not required for their needs and the discharge of their responsibilities as determined by the head of the Service or Agency.

**excess on hand.** The dollar value of secondary item inventory that is categorized as potential excess at the end of the measured period and the percentage of the total inventory dollars that potential excess constitutes. Excess on hand is synonymous with PRS.

**interchangeable and substitutable family.** A group of items that possess physical and functional characteristics to provide comparable performance for a given requirement under given conditions. This applies when two or more items have an interchangeable and
substitutable relationship with another. The head of the family is called the master item, i.e., an item with an interchangeable and substitutable relationship with every member of the family.

**ICP.** An organizational unit or activity within the DoD supply system that is assigned the primary responsibility for the materiel management of a group of items either for a particular Military Department or for the DoD as a whole. In addition to materiel management functions, an ICP may perform other logistics functions in support of a particular Military Department or for a particular end item (e.g., centralized computation of retail requirements levels and engineering tasks associated with weapon system components).

**individual item.** A single instance of a stock-numbered item, a single assembly, or a single subassembly. Individual item is synonymous with asset.

**inventory.** Materiel, titled to the U.S. Government, held for sale or issue, held for repair, or held pending transfer to disposal.

**inventory, due-in.** Ready-for-issue materiel that is due in to a materiel manager from a Government source or materiel in need of repair that is due to a materiel manager.

**inventory, in-transit.** Materiel in transit from commercial and government suppliers; materiel whose title has passed but the materiel has not been received and accepted at the final designated destination; materiel between storage locations; or materiel temporarily in use or on loan with contractors or schools.

**inventory, on hand.** Inventory in a storage location or maintenance facility. For purposes of this manual, on hand assets is synonymous with on hand inventory.

**inventory, on order.** Materiel that is being procured from a commercial vendor.

**inventory segmentation of no demand items.** Inventory dollars for items with 5 or more years of no demand further segmented in AAO, economic retention, contingency retention and potential reutilization stocks

**in-transit stock.** Materiel in transit from commercial and government suppliers; materiel whose title has passed but the materiel has not been received and accepted at the final designated destination; materiel between storage locations; or materiel temporarily in use or on loan with contractors or schools.

**item of supply.** A category of items identified by a national stock number with the same form, fit, and function. The individual items (units) included in this category could be manufactured by multiple sources.

**lead time variance.** The variance or difference between actual lead times and lead times used to build requirements where the lead times are administrative and production lead time.

**logistics response time.** A measurement of the total elapsed time (in days) from customer requisition to receipt of materiel ordered from a DoD organic or commercial source of supply. The measurement of logistics response time is from the date in the requisition that a retail supply
activity places on a DoD or designated commercial source of supply until the date the requisitioned materiel is received and posted in the materiel management system of the requisitioning activity.

**long supply.** Those items that are calculated above the approved acquisition objective.

**material.** Property that may be consumed or expended during the performance of a contract, component parts of a higher assembly, or items that lose their individual identity through incorporation into an end-item. Material does not include equipment, special tooling, special test equipment, or real property.

**materiel.** All items necessary to equip, operate, maintain, and support military activities without distinction as to its application for administrative or combat purposes, excluding real property, installations, and utilities. Materiel is either serviceable (i.e., in an issuable condition) or unserviceable (i.e., in need of repair to make it serviceable). While materiel normally includes equipment, which is not addressed in this volume, for purposes of this volume “materiel” is interchangeable with “material.”

**materiel denial rate.** The percent of line items directed for shipment that distribution depots reported a failure to ship all or part of the quantity originally directed for shipment.

**materiel management.** The phase of military logistics that includes managing, cataloging, demand and supply planning, requirements determinations, procurement, distribution, overhaul, and disposal of materiel.

**materiel manager.** Any DoD activity or agency that has been assigned materiel management responsibilities for the DoD and participating federal agencies. The term includes responsibilities performed by either wholesale materiel managers or retail materiel managers: managing, cataloging, demand and supply planning, requirements determination and definition, procurement, distribution, overhaul and repair of reparable materiel, and disposal of materiel.

**mission capable.** The condition that indicates a system or equipment is able to perform one of its assigned missions while fully mission capable is the condition that indicates a system or equipment is able to perform all of its assigned missions. The difference between fully mission capable and mission capable is partially mission capable.

**modification.** A government-approved change in the configuration of a part or item that offers a benefit to the government by correcting deficiencies, satisfying a change in operational or logistic support requirements, or affecting a life-cycle cost savings.

**metrics.** Quantifiable, measurable outputs or outcomes that address all classes of supply and describe all supply chain processes of functions from acquisition through final disposition of end items and materiel.

**military munition.** All ammunition products and components produced for or used by the armed forces for national defense and security, including ammunition products or components under the control of the DoD, the Coast Guard, the Department of Energy, and the National Guard, as described in section 101 of Title 10, United States Code.
MAC. A method of costing inventory that continuously updates the unit cost of inventory on
hand based on the average cost of all purchases made to date and records cost of inventory sold
at the latest MAC.

NMC rates. The percent of time that a materiel condition exists indicating that systems and
equipment are not capable of performing any of their assigned missions because of maintenance
requirements or a maintenance work stoppage due to a supply shortage for NMCS. Although
Naval aircraft readiness is evaluated in terms of NMC rates, the readiness of Navy ships,
submarines, and shipboard systems is evaluated in terms of casualty reports. Specifically, C3
and C4 casualty reports are a NMC condition for Navy ships, submarines and shipboard systems.

NMCS backorders. The numbers of wholesale backorders that are associated with an NMCS
condition grouped for recognition of those backorders less than 30 days old and those older than
30 days.

on order commit. Assets due-in from procurement as of the asset cutoff date for which a
procurement request has been initiated, funds committed, but a contract has not been awarded.

on order contract. Assets due-in from procurement as of the cutoff date, funds obligated, and a
contract has been awarded.

operating materials and supplies. Tangible personal property to be consumed in normal
operations. Excluded are goods that have been acquired for use in constructing real property,
stockpile materials, and inventory held for sale.

operating unit. A military unit with an operational mission, e.g., Army infantry company, Air
Force aircraft maintenance squadron, or Navy construction battalion.

operation and maintenance. Defined in the DoD Dictionary of Military and Associated Terms.

perfect order fulfillment. See “wholesale perfect order fulfillment.”

personal property.

Any end item, materiel, equipment, spares, or repair parts.

Property of any kind or any interest except real property, records of the U.S. Government,
and naval vessels of the following categories: surface combatants, support ships, and
submarines.

PR/DS. The inventory quantity of an item that is greater than the sum of the RRMS, the ERMS,
and the CRMS. The PR/DS is considered excess to the requirements of an individual Military
Department, but has not yet been found to be excess to the requirement of all the Military
Departments.

production lead time. The interval between the date of signature of a contract and the receipt of
the first significant delivery of the purchased materiel into the supply system.
**PRS.** DoD Component materiel identified by a materiel manager for possible disposal, but with potential for reutilization; or materiel that has the potential for being sent by a materiel manager to the DLA Disposition Services for possible reutilization by another DoD Component or by a federal, State, or local governmental agency, or for disposal through sale to the public. Stock above the sum of the AAO, the ERS, and the CRS that is under review for transfer to the DLA Disposition Services in accordance with the procedures in Volume 6 of this manual. PRS is synonymous with excess on hand.

**reparable item.** An item of supply subject to economical repair and for which the repair (at either depot or field level) is considered in satisfying computed requirements at any inventory level.

**requirement.** The inventory quantity that includes the Military Service and DLA forecasted demands for an NSN plus the NSN’s pipelines (to support normal supply operations) and levels (to support minor interruptions in the normal supply operations).

**RRDA.** An account within a management information system upon which all munitions items, transferred for demilitarization, are placed for proper accountability until they are demilitarized.

**response time effectiveness.** The percentages of weapon system support orders filled at the retail level or forward stockage point, at the wholesale (ICP and distribution depot) level and by supply chain suppliers.

**retail.** Level of inventory below the wholesale level, either at the consumer level for the purpose of directly providing materiel to ultimate users or at the intermediate or region level for the purpose of supplying consumer levels or ultimate users in a geographical area.

**RRMS.** The inventory of munitions stock, including preferred and substitutes, applied to the TMR, individual item procurement lead time, and other elements that are applicable to internal Military Department-level inventory management during stratification. The RRMS provides the Military Department with inventory support throughout the period of the program objective memorandum and lead time to procure.

**screen.** Review excess property for reutilization, transfer, or disposal in accordance with DoDM 4160.21.

**secondary item.** An item of supply that is either in use, stocked in inventory, or held in operating materials and supplies. It includes reparable components, subsystems, and assemblies, consumable repair parts, bulk items and materiel, subsistence, and expendable equipment and end items, including clothing and other personal gear. It does not include major weapon systems, munitions, and equipment and other property under DoDI 5000.64.

**Single Manager for Conventional Ammunition.** The responsibility the Secretary of Defense assigns the Secretary of the Army for the procuring, producing, supplying, and maintaining or renovating conventional ammunition within the Department of Defense.

**source of supply.** Any federal government or commercial organization exercising control of materiel and to which requisitions are directed.
stockage. The amount of inventory kept on hand or scheduled to be on hand by materiel managers to meet customer requirements. In accordance with Volume 2 of this manual, customer requirements drive different types of stockage.

  Readiness-based stockage where customer requirements are computed to meet a weapon system readiness goal.

  Demand-based stockage where customer requirements are computed to meet supply performance and/or cost goals based on demand forecasts.

  High variation stockage for items that are non-forecastable due to their high demand volatility. An item that is stocked or ordered with high variation in demand-based requirements in accordance with the procedures in Volume 2 of this manual.

  Limited demand stockage for items that are non-forecastable due to low demand but have sufficient demand to build requirements to meet supply performance goals based on demand histories.

  Non-demand-based stockage for item that are non-forecastable due to low demand and lack sufficient demand to build demand-based requirements.

stratification position. A table output of the stratification process that shows assets against inventory segments based on the asset cutoff date and budget periods included as well as the specific materiel conditions and inventory segments included. A position may include zero budget periods.

stratification process. A uniform portrayal of requirements and assets application that is a computer-generated, time-phased simulation of adjustments to the supply position; e.g., procurement, repair, receipt, issue, termination, and disposal of materiel.

supply chain. The linked activities associated with providing materiel from a raw material stage to an end user as a finished product.

supply management costs. The ratio of supply chain inventory materiel obligations to supply chain management costs, where:

Materiel obligations are the net materiel obligations for the purchase or repair of materiel that will be held in inventory or acquired from vendors for direct delivery to customers, and supply management costs are the costs of operations normally associated with overhead, including personnel, receiving, storage, transportation, payroll, personnel travel, other WCF purchases, operating materials and supplies, rent, communications, utilities, and other service contracts.

supply chain management and support costs. The cost of operations normally associated with overhead, including, but not limited to, personnel, receiving, storage, transportation, payroll, personnel travel, other working capital fund purchases, operating materials and supplies, rent, communications, utilities, and other service contracts.
**supply management cost changes.** Percentages and dollar values of annual changes to supply chain management and support costs and to supply chain materiel obligations, where the dollar value of annual changes is the delta between previous year and current year costs; and percentages account for the change in management, support costs, and materiel obligations, each divided by the change in total obligations.

**TDD.** The concept that, within a specified degree of probability, the logistics system is capable of delivering required materiel to the customer within a given period of time.

**TDD compliance.** The percent of time that the logistics system is capable of delivering required materiel to the customer within a given period of time. As a metric, it measures the count and percentage of shipments that meet the TDD standards for a given combatant command and transportation mode. For this metric, backorder time is excluded.

**TDD standard.** The time period to order and receive required materiel from the wholesale echelon of supply. Assignment of a standard is based on the customer’s location and the priority that the customer places on the order. See Volume 8 of this manual for more on TDD standards.

**tiered inventory turns.** The number of times that inventory cycles or turns over in a year. A tiered approach looks at specific layers of inventory and their turn cycles.

**TMR.** The total peacetime (i.e., training and testing) and wartime (i.e., combat) requirement for conventional military ammunition. It is the ammunition equivalent to the secondary item AAO.

**weapon system.** Defined in the DoD Dictionary of Military and Associated Terms.

**wholesale.** The highest level of organized DoD supply that procures, repairs, and maintains stocks to resupply the retail levels of supply. Synonymous with wholesale supply, wholesale level of supply, wholesale echelon, and national inventory.

**wholesale perfect order fulfillment.** The percentage of orders delivered on time with the correct quantity, in the right condition, and with proper documentation.

**working capital fund.** Defined in the DoD Dictionary of Military and Associated Terms.
REFERENCES


DoD Instruction 5000.64, “Accountability and Management of DoD Equipment and Other Accountable Property,” April 27, 2017, as amended

DoD Instruction 5015.02, “DoD Records Management Program,” February 24, 2015, as amended

DoD Instruction 5158.06, “Distribution Process Owner (DPO),” July, 30, 2007, as amended

DoD Instruction 8320.04, “Item Unique Identification (IUID) Standards for Tangible Personal Property,” September 3, 2015, as amended


Office of the Chairman of the Joint Chiefs of Staff, “DoD Dictionary of Military and Associated Terms,” current edition


United States Code, Title 10, Section 101