DeCA Manual 40-21.01

Accountability For Commissary Resale Merchandise

Originating Component:	Sales, Marketing, and Policy (MP)
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Approved by:	Randall L. Chandler Director, Operations and Policy

Purpose: In accordance with (IAW) the authority in Department of Defense (DoD) Directive 5105.55, this issuance implements policy, assigns responsibility, and provides procedures for conducting physical inventory counts in commissaries, central distribution centers (CDC), and the Central Meat Processing Plant (CMPP) pursuant to DeCA Directive (DeCAD) 40-21.

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY. This issuance applies to the Defense Commissary Agency (DeCA) activities and personnel involved in operations associated with accountability for commissary resale merchandise.

1.2. MANAGEMENT CONTROL SYSTEM. This manual contains internal management control provisions that are subject to evaluation and testing as required by DeCA Directive (DeCAD) 70-2, "Internal Control Program."

SECTION 2: INVENTORY PLANNING

2.1. PURPOSE. To provide instructions to conduct physical inventory counts in commissaries and CDCs/CMPP.

2.2. NOTIFICATION REGARDING INVENTORY. Sixty (60) days before the accountable inventory (AI) date and at intervals throughout the inventory period, store directors or CDCs/CMPP managers will notify the following individuals or groups of the date of AI, of any curtailment of service or closure, and how the AI will affect the individual or group. This list is not meant to be all-inclusive, nor will every facility necessarily have the same number and variety of individuals and groups to notify.

    a. Notify the installation commander and any other key command or installation officials; patrons, to include those in sub-communities or remote communities and special patron groups, such as the Government Purchase Card customers; food banks; brokers; sales representatives; product distributors; vendor stockers; commercial activity (CA) contractors; custodial and maintenance personnel; other DeCA facilities supported by CDCs/CMPP or parent commissaries; other local commissaries and support activities; and unions. This notification should be done, as appropriate for the individual or group being addressed, by memorandums, signs, meetings, installation newspapers, Armed Forces Network, bag stuffers (which must be inserted by DeCA employees, not baggers), customer e-mail listing, and any other locally available channel or means of communication. The responsible officer (RO) shall check the performance work statement (PWS) terms and follow up to make certain contact with the contractor is made, even if the contractor fails to comply with terms of the PWS. The RO shall report noncompliance by the contractor with this, or any other terms of the PWS, through the area Director to the appropriate Contracting Directorate point of contact (POC).

    b. Preliminary notification of managers and key personnel should be made at least 1 month before the inventory period and should be combined with guidance to start "thinking inventory." This notification can also be used as a preliminary step in the development of a detailed written inventory plan. One important consideration that must be addressed at this point is how acceptable levels of stockage and service will be maintained throughout the inventory period without seriously hampering the inventory process itself. This may involve changing personnel schedules, rescheduling deliveries, submitting double orders, etc., and must eventually be made part of the overall inventory plan.

2.3. DETAILED INVENTORY PLAN AND FACILITY DIAGRAM.

    a. No later than 14 days before the AI date, the DeCA RO shall prepare a detailed written inventory plan (referred to as the Accountable Inventory Plan), and a detailed inventory floor plan/diagram (referred to as the Accountable Inventory Diagram), both of which will be used as a basis for further AI planning and preparation. Detailed instructions can be found in the current PWS located on OneNet, Public Folders, Store Operations, Inventory Information,

Inventory Preparation (PWS).

b. The RO shall prepare an AI plan which includes a schedule of all actions necessary to prepare for and to conduct the AI, and to assign specific DeCA personnel responsibility for these actions. DeCA inventory manager(s); inventory team and team chief; DeCA validation team and team chief; and any other DeCA personnel needed to prepare for (documents, sectioning, pricing, straightening up, etc.), or to conduct inventory (documents, escort to section locations, price checks, product identification, etc.), shall be identified in the AI plan. The AI plan shall include information regarding any adjustments to personnel, order, delivery, or stock replenishment schedules made to accommodate the AI. The AI plan shall also include any additional information unique to the local situation and considered pertinent to preparation of the inventory. The RO shall provide copies of the AI plan to the inventory manager(s), inventory team chief(s), validation team chief(s), all department managers, and to any other personnel with a need to know. The RO shall also use the AI plan as one source of information for briefings conducted immediately prior to start of inventory.

2.4. EQUIPMENT AND SUPPLIES. One week before the AI date, ROs shall ensure sufficient quantities of all equipment and supplies required to prepare for, and to conduct, inventory are available. For either contract or in-house inventory, this includes:

a. Tape and/or cards to indicate section boundaries.

b. Labels and/or cards for price marking and annotation of unit packs.

c. Pens, pencils, markers, hand or desk calculators, adding machine tape and clipboards.

d. Portable scales (if available).

e. General purpose count sheets.

f. DeCA Form (DeCAF) 40-55, Inventory Control Log.

g. Material Handling Equipment (MHE) or safety ladders/pallets needed to move merchandise or to permit personnel access to merchandise, which may also include stocking kick steps/ladders.

h. Any items required because of unique local conditions. It is also advisable to have sufficient cold weather gear on hand, or, if this is not available, to suggest personnel who will be working in refrigerated areas bring their own.

i. Only trained/licensed DeCA personnel (or, where applicable, Commercial Activities (CA) contract personnel) shall operate any MHE equipment to conduct contract or in-house inventory.

2.5. REVIEW OF ACCOUNTABLE INVENTORY PREPARATIONS.

a. ROs, or those involved in overseeing the AI, shall ensure areas and functions directly affecting accountability are in order prior to beginning the inventory count; i.e., accuracy of pricing; unit/pound pack and pallet layer; tie and tier annotations of department section designations; consistency of the AI plan; and comparing the inventory count sheets with the physical departmental layout and section designations. Allow sufficient time to conduct a pre-inventory review to ensure necessary corrections are made without delaying or complicating the AI.

b. **Do not** pre-count individual products, nor indicate total counts on pallets, containers, storage room doors, etc.

2.6. INVENTORY CUTOFF. Store directors, CDC managers, and department managers will ensure all personnel involved in handling transactions affecting accounts make a clear distinction between all transactions to be accounted for as part of the current accountability period.

a. The first day scheduled for physical inventory count, often casually described as the dividing line between "before inventory" and "after inventory," can be misleading, especially in situations in which the count is scheduled to be performed over a 2-day period and a commissary or CDC operates for one or both days inventory is performed. In such situations, merchandise may be delivered, stocked, sold, stored, and issued after physical inventory count has actually begun. Although these transactions may occur after the start of the physical inventory count, all must be handled as "before inventory" transactions.

b. There may also be instances in which DeCA ROs will choose not to count merchandise received shortly before or during the inventory count, and thus will handle these receipts as "after inventory" transactions. In such instances, these transactions must be dated after the date of inventory when the transactions are entered into the business system.

c. Any merchandise physically received, but not counted as part of the physical inventory, must be prominently marked "DO NOT INVENTORY" and must have documents processed with a Voucher Register and General Control (VRGC) entry "after inventory." These situations must be handled very carefully because failure to clearly define the cutoff between "before" and "after" inventory transactions will result in flawed results.

d. On the day of inventory, prices on scandown items or items on in-store vendor credit memorandums (VCM) must be changed to reflect the regular prices for the inventory. The following sales day, scandowns and items on in-store VCMs must be changed back to reflect the promotion price for the remainder of the promotion period. Stores with ESLs must ensure ESLs remain in price mode during inventory to ensure prices are visible for the duration of the inventory. Upon competition of the inventory, ESL jobs must be scheduled to revert back to their normal daily settings.

SECTION 3: ACCOUNTABILITY STATUS

3.1. PURPOSE. To provide validation requirements, account status, including follow up procedures, and allowable account variances for accountable inventories (AI).

3.2. VALIDATION FOR CONTRACT INVENTORIES. The Government will advise the contractor of the sections requiring validation after the contractor has completed the initial count, posted the section value to their DeCA Form (DeCAF) 40-55, Inventory Control Log, and provided the section value to the Government. A Government representative will observe validation counts. All computations of percentages will only be carried out to two places past the decimal point; i.e., 1.99, 2.01; the third decimal place will not be used in determining pass/fail of section validation. To assist in determining the number of validations required, an automated spreadsheet is available in DeCA Sharepoint, Public Folders, Store Operations, Inventory Information, Inventory Tools.

a. The selection of validation sections must be a cross section of all areas inventoried. Do not select more than two validations in the same common group. When possible, attempt to validate every inventory counter.

b. The Government will select a total number of validation sections from among the combined total number of sections in the sales and warehouse/back up storage area corresponding to the sample size specified for the number of sections identified for the contractor to inventory. For instance, if the Government identifies a total of 198 sections in the sales area and 66 sections in the warehouse/backup storage area for a total 264 sections, the total number of validation sections for the inventory is 20 for a section rage of 151-280 (refer to Table 1, Section Sample Size on page 62). The Government will identify TWICE the number of validation sections indicated in the sample size column (in this example 2x20=40). If it becomes necessary to expand the sample size, a process is described in paragraph 3.2.g., below. The first set of validations MUST be completed and posted to the official DeCAF 40-55 before a decision can be made to increase the sample size.

c. The Government will select sections for validation on the sales floor and in the warehouse/backup storage area roughly in proportion to the number of sections identified in each of those areas. In this example, 198/264 =75 percent of sections are in the sales area and the remaining 66/264=25 percent of sections are in the warehouse/backup storage area. The Government should therefore select about 20x0.75=15 sections for validation in the sales area and about 20x0.25=5 sections for validation in the warehouse/backup storage area.

d. Once the initial count of a section has been completed and recorded, the Government will advise the contractor to accomplish a validation (second count). The validation may not be performed by the individual who accomplished the initial count or by any individual who has knowledge of the section dollar value.

e. If, after comparing the values of the initial and validation counts of a section, the

Government determines a validation count in either the sales area or in the warehouse/back up storage area is less than+/- 2.0 percent of the contractor's initial count, the contractor's initial count is acceptable. For instance, if value of the initial count is $2,489.93 and value of the validation count is $2,526.88, the difference is $36.95. $36.95/$2,489.93 = 1.48 percent. In this and similar situations, the contractor's initial count is acceptable.

   f. If, after comparing the values of the initial and validation counts of a section the Government determines the difference between these two values is +/-2.0 percent or greater, the Government will assess the contractor's initial count/valuation of the section as an "exception." For instance, if value of the initial count is $2,489.93, and value of the validation count is $2,349.66, the difference is $140.27. $140.27/$2,489.93 = 5.63 percent. The Government will assess the contractor's initial count/valuation of this section as an "exception" by annotating "EX" in column 6 of DeCAF 40-55, opposite the appropriate section number.

   g. Numbers of exceptions and actions corresponding to each number of exceptions are shown in the validation Table 1. Using the example described above calls for an initial sample size of 20 validation sections, the following may result:

      (1) Should the Government assess two or fewer of the 20 validations as exceptions, the inventory results are valid. No further validation action is necessary.

      (2) Should the Government assess five or more of the 20 validations as exceptions, the inventory results are invalid. The Government will stop the inventory at whatever point in the inventory process the Government has assessed five validations as exceptions. The contracting officer will ultimately make a determination whether or not the contractor is entitled to any compensation under the contract.

      (3) After all sections have been validated, should the Government assess three or four of the 20 validations as exceptions, the inventory results are inconclusive (stores with other than 20 validation sections, reference the appropriate performance work statement (PWS) for the location). The Government will expand the sample. The expanded sample requires validation of up to an additional 20 sections.   Validation procedures for these additional 20 sections are the same as those described in paragraphs 3.2.c. and 3.2.d. Using the example described above calls for an expanded sample of 20 validation sections (40 validation sections in all) and the following may result:

         (a) Should the Government assess a total of six or fewer of the 40 validations as exceptions, the inventory results are valid. No further validation action is necessary.

         (b) Should the Government assess a total of seven or more of the 40 validations as exceptions, the inventory results are invalid. The Government will stop the inventory at whatever point in the inventory process the Government has assessed seven validations as exceptions. The contracting officer will ultimately make a determination whether or not the contractor is entitled to any compensation under the contract.

   h. Once the Government has accepted the inventory, the Government may direct the

contractor to perform a third count with a Government observer of any validation section with a variance of equal to or greater than +/-10 percent of any previous counts. The results of the third count will be posted to column 7 of DeCAF 40-55 and used to calculate the overall inventory dollar value.

Table 1. Section Sample Size

		Inventory Results are Based on the Following:			Total Sample Size	If Inventory Results are inconclusive:	
If Total Sections Are:	Sample Size Is:	Exceptions				Exceptions	Decision
26 to 50	5	2 or more → Invenorty results are invalid 1 → Results are inconclusive 0 → Results are valid		Expand sample size by (+5)	10	2 or more → Inventory results are invalid 1 or less → Inventory results are valid	
51 to 90	8	3 or more → Invenorty results are invalid 1 or 2 → Results are inconclusive 0 → Results are valid		Expand sample size by (+8)	16	4 or more → Inventory results are invalid 3 or less → Inventory results are valid	
91 to 150	13	4 or more → Invenorty results are invalid 2 or 3 → Results are inconclusive 1 or less → Results are valid		Expand sample size by (+13)	26	5 or more → Inventory results are invalid 4 or less → Inventory results are valid	
151 to 280	20	5 or more → Inventory results are invalid 3 or 4 → Results are inconclusive 2 or less → Results are valid		Expand sample size by (+20)	40	7 or more → Inventory results are invalid 6 or less → Inventory results are valid	
281 to 500	32	7 or more → Invenorty results are invalid 4, 5 or 6 → Results are inconclusive 3 or less → Results are valid		Expand sample size by (+32)	64	9 or more → Inventory results are invalid 8 or less → Inventory results are valid	

3.3. ACCOUNTABILITY STATUS AND FOLLOW-UP.

a. Actions described in this paragraph are not considered to be part of the inventory period, but are necessary to complete the inventory cycle, both as it applies to each facility, and to DeCA generally. Following receipt of Inventory Certification, the Resale Accounting Branch (RAB) and Overseas Resale Accounting Branch (ORAB) determines the status of each account for which inventory results were reported, and officially reports account status to areas within 5 business days on an electronic form, Consolidated Statement of Gain/Loss. RAB/ORAB will report account status to store directors or CDC/CMPP managers on DeCAF 70-22, Commissary Accountability Variance Statement, Figure 1. It is important to note, that all inventory information must be reviewed for errors prior to applying signatures to the Inventory Certification. Applying a signature is making an official statement and indicates the information is correct and finalized.

b. Upon receipt of account status, store directors and CDC/CMPP managers, shall investigate any commissary/CDC/CMPP level departmental account reported as having exceeded the authorized variance to determine causes. Area directors, who are the accountable officers for all DeCA resale assets under their control, shall maintain total area departmental account status within established variances.

(1) No later than 72 hours after official notification, the accountable officer shall initiate a management review of any account that was reported as out of variance by RAB/ORAB on the Consolidated Statement of Gain/Loss. The review shall include comments regarding intent to conduct management reviews in the appropriate sections of DeCAF 70-22. Accountable officers may, at their option, initiate management reviews prior to official notification of account status, if commissary/CDC level indicates out of variance conditions.

(2) Although ROs initiate any required management reviews, area directors may choose to direct the nature and scope of the inquiries; have staff or zone managers assist in these inquiries; or have area personnel or zone managers actually conduct the inquiries. Upon review of account status at headquarters (HQ) level, the Store Support Directorate (SOS) responsible for stores and the Director of Logistics and Chief of Distribution and Transportation (LEL) responsible for CDCs/CMPP may opt to provide HQ or field operating activity staff assistance in conducting management reviews.

(3) Area directors are required to initiate reports of survey only for those accounts reported as exceeding the authorized variance on the consolidated statement of gains/losses and only if gross negligence or misconduct is suspected as the cause of loss. A report of survey must be forwarded to the area office no later than 120 days after the date of the physical inventory. No report of survey is required if, within 120 days of the inventory date, management identifies account adjustments as being the cause for excessive variance levels.

Figure 1. DeCAF 70-22, Commissary Accountability Variance Statement

				FOR PERIOD	
COMMISSARY ACCOUNTABILITY VARIANCE STATEMENT *(For use of this form, see DeCAD 70-7; OPR is COR.)*			**FROM**	**TO**	
COMMISSARY AND DODAAC		**REGION**	*(Check one)*	☐ ACCOUNTABILITY ☐ SPECIAL	

DEPARTMENT	SALE	ALLOWABLE PERCENTAGE OF VARIANCE (e.g., .25, .005, 3.75)	DOLLAR VALUE OF ALLOWABLE VARIANCE	DOLLAR VALUE OF ACTUAL VARIANCE	ACTUAL PERCENT OF VARIANCE
GROCERY					
MEAT					
PRODUCE					
CDC					
TOTAL					
TOTAL VARIANCE %					

REMARKS

ACCOUNTABLE OFFICER *(Typed Name)* | **SIGNATURE AND DATE**

REGION DIRECTOR REVIEW

ACTIONS TAKEN/COMMENTS

REGION DIRECTOR *(Typed Name)* | **SIGNATURE AND DATE**

DeCA Form 70-22, May 2013 | Supersedes DeCA Form 70-22 Mar 1997 and DeCA Form Mar 1994 Previous editions are obsolete.

3.4. ACCOUNTABILITY CLOSEOUT. In order to complete the accountability record for the accountability period (i.e., the period which ended at the AI cutoff), all other "BEFORE INVENTORY" transactions shall be closed out. The procedures for doing this are the same whether inventory was done by contract or in-house. Following the AI, the next record of operation for any department or sub-account will be computed at the end of the month following the month in which the AI was done. The opening inventory value for the first record of operation after the AI is the inventory value for the account determined during the AI.

3.5. AUTHORIZED VARIANCES. ROs will use the following authorized variances by department for AIs, and also within the same department for monthly versus cumulative results of record of operations.

　　a. Grocery department, including DeCA-owned bakeries, DeCA owned delicatessens (deli), and DeCA owned sushi: +/-1 percent.

　　b. Meat department including DeCA-owned seafood departments: +0.3 percent gain/no loss.*   Centralized Pricing Program (CPP) stores: +4 percent gain/no loss including account credits for losses incurred as a result of manager special allocations.*

　　c. Produce department: +1 percent gain/no loss.*

　　d. CDC: +/-0.2 percent

　　e. CMPP: +0.3 percent gain/no loss.*

　　f. Tobacco department: +/-0.85 percent.

* Area directors may assign a commissary level account variance other than those shown for meat and produce to support operational needs.   A written justification from the area director and approval from the Executive Director, Store Operations, is necessary before any changes to the stated variances for stores can be implemented.

3.6. AFTER ACTION ASSESSMENT. Within 2 weeks of completing the AI, the RO shall conduct a meeting with key DeCA personnel to discuss results of the most recent inventory process. A review of the AI checklist will be used to generate a lessons learned which may be used to submit suggestions through SOS to the Performance and Policy Directorate, Operations Guidance and Program Standardization Division (MPOS) for application in planning future AIs. A record of this discussion shall be kept on file with other AI documentation and used as a reference until after the next AI has been completed.

SECTION 4: CONTRACT DOLLAR VALUE INVENTORY

4.1. PURPOSE. A contract dollar value inventory is a physical, wall-to-wall, dollar value AI performed by commercial firms working within the terms of a contract PWS. It is mandatory to comply with the requirements set forth in the PWS for dollar value inventory.

4.2. AREAS TO BE INVENTORIED. Areas may include any or all of the following: grocery items on the sales floor; perishable and nonperishable storage rooms; processing and/or preparation rooms; contiguous and remote warehouse; and warehouse backup and storage areas. Areas not included are tobacco, meat, produce, or contractor-owned inventory (i.e., deli, bakery, or seafood items). In DeCA Europe, it does not include DeCA-owned bakery (combined with deli).

4.3. FREQUENCY. Contract dollar value inventories are conducted at least once a year in accordance with (IAW) guidance contained in an annual Resource Management AI memorandum as supplemented by SOS direction and PWS guidance.

4.4. CONTRACTOR AND GOVERNMENT RESPONSIBILITIES. Follow inventory procedures and provide supervision, personnel, supplies, and equipment as described in the most current copy of the PWS for dollar value inventory, located on OneNet, Public Folders, Store Operations, Inventory Information, Inventory Preparation, Inventory Performance Work Statement (PWS).

4.5. DOCUMENT PREPARATION.

    a. Documents required for contract dollar value inventory are:

      (1) DeCAF 40-55, Inventory Control Log, for inventory and validations, stores/CDCs/CMPPs, Figure 2.

      (2) DeCAF 40-106, Dollar Value Inventory Certification, for contract or in-house, Figure 3.

    b. ROs shall ensure all documents required for inventory are prepared, to the extent possible prior to the inventory count, at least 2 days prior to the start of AI to allow sufficient time for thorough review of section assignments and for adjustments, if necessary. Inventory count sheets are not needed for contract inventory. Inventory certification forms used for contract and in-house inventories are different.

    c. ROs shall ensure DeCAF 40-55 is prepared and used to record section inventory values. Use of the automated DeCAF 40-55 for DeCA management's copy of the Inventory Control Log is authorized. The automated DeCAF 40-55 is located on OneNet, Public Folders, Store

Operations, Inventory Information, Inventory Tools.

(1) Prepare inventory logs so all section numbers identified for use in each department to be inventoried are accounted for, whether or not all numbers have actually been assigned to sections. For example, the meat department is assigned a standard range of section numbers from 020 through 049 to be used in all accountable inventories. If 020 through 041 are actually assigned to sections to be counted, these shall be listed, in section number sequence, on the inventory logs prepared for the meat department. The unused section numbers shall also be accounted for by listing these on the last line used on the meat department inventory log as: "042 through 049 NOT USED."

(2) Within each departmental section number sequence, prepare separate sequentially numbered inventory log sheets for subaccounts, and also for sales areas versus backup/storage areas.

(3) Section numbers recorded on DeCAF 40-55 must correspond exactly with the section number assignments shown on the accountable inventory diagram.

d. In accountable inventories in which some department assets are inventoried under contract, and other department assets are inventoried in-house, prepare a separate DeCAF 40-55 for contracted and in-house portions of inventory.

e. Provide originals of DeCAF 40-55 containing the sections to be inventoried to the contractor or inventory team chief just prior to the AI briefing and walk-through of facility, both of which take place immediately prior to start of inventory count. The contractor's DeCAF 40-55 must contain NO information which will give the contractor any advance knowledge of sections selected for validations.

Figure 2. DeCAF 40-55 Inventory Control Log

INVENTORY CONTROL LOG (For use of this form, see DeCAD 40-21; OPR is DO.)				COMMISSARY			DATE	
SECTION NUMBER (1)	TEAM 1 COUNT (Dollars) (2)	TEAM 2 VALIDATION COUNT (Dollars) (3)	DOLLAR DIFFERENCE (4)	DIFF % (5)	TEAM 1 COUNT (Repeat Column 2) (6)	TEAM 2 VALIDATION RECOUNT (Dollars) (7)	DOLLAR DIFFERENCE (8)	DIFF % (9)
							$0.00	
							$0.00	
							$0.00	
							$0.00	
							$0.00	
							$0.00	
							$0.00	
							$0.00	
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							$0.00	
							$0.00	
							$0.00	
							$0.00	
							$0.00	

DeCA Form 40-55, Nov 1991   Supersedes AF Form 359 and TSA Form 52-R

Figure 3. DeCAF 40-106, Dollar Value Inventory Certification

DOLLAR VALUE INVENTORY CERTIFICATION

(For use of this form, see DeCAD 40-21; OPR is MPO.)

CONTRACT NUMBER:	IAW THE PWS, A DOLLAR VALUE INVENTORY WAS CONDUCTED AT: *(Name of Store)*
DELIVERY ORDER NUMBER:	

GOVERNMENT "WALK-THROUGH" WITH CONTRACTOR

As required by the PWS, the Government provided a "walk-through" of the facility to review inventory preparation. (Optional) My comments on this "walk-through" are as follows.

Signature, Contractor Representative/Printed Title

DATE(S) CONDUCTED:			
FIRST DAY:	SCHEDULED START TIME:	SCHEDULED END TIME:	
	ACTUAL START TIME:	ACTUAL END TIME:	
SECOND DAY: *(if applicable)*	SCHEDULED START TIME:	SCHEDULED END TIME:	
	ACTUAL START TIME:	ACTUAL END TIME:	

OF CONTRACTOR WORK HOURS

Show the total number of work hours
including supervisory hours
that the Contractor used to conduct inventory

TOTAL DOLLAR AMOUNT:
GROCERY DEPARTMENT

SALES FLOOR TOTAL: _____

WAREHOUSE TOTAL: _____

WAREHOUSE TOTAL: _____
(Remote, if applicable)
DEPARTMENT TOTAL: _____

WE, THE UNDERSIGNED, CERTIFY THE FOLLOWING:

a. That performance period (Dates, Starting and Ending Times) indicated above are correct.

b. That the contractor has determined the section values shown on the inventory control log and the totals recorded are independent of government intervention or input.

c. That all section values shown on the inventory control log and the values recorded on this certification are correct to the best of our knowledge.

d. That sections the government had selected for validation were not revealed to the contractor until after the contractor had completed the initial count of a validation section.

e. That no tobacco products are included in the inventory values shown above.

f. Contractor certifies that validations were done independently by an individual who had no knowledge of the previous count of that section.

g. Government representatives observed all validation counts.

REMARKS

ENDING TIME EXCEEDED DUE TO: (Enter 'not applicable' if inventory was completed prior to required end time.)

CONTRACTOR'S REPRESENTATIVE:	DATE:	DeCA STORE DIRECTOR:	DATE:
Printed/Typed Name:		Printed/Typed Name:	
Signature:		Signature:	

DeCA Form 40-106, May 2013   Supersedes DeCAF 40-106, Dec 2009

4.6. PRE-INVENTORY BRIEFING. A pre-inventory briefing shall be presented to contractor and Government employees prior to the inventory. A sample briefing is provided in Appendix 4A.

4.7. INVENTORY COUNTS AND RECORDING SECTION VALUES. The inventory count will begin after the completion of the briefing and facility walk-through.

   a. During the contract AI, contract inventory team personnel count and extend the dollar value of items simultaneously using machines. No inventory count sheets are used and no hard copy records of individual item counts or extensions of dollar values are produced. As indicated in the PWS, a hard copy or automated DeCAF 40-55 may be used to record section inventory values.

      (1) The contract inventory team chief assigns contract personnel to count sections, and generally controls the activities of contract team members throughout the AI, in coordination with, but independent of, any direct control by DeCA personnel.

      (2) After the contractor has recorded 20 section totals in ink on the contractor's DeCAF 40-55, DeCA personnel responsible for maintaining AI records shall record the same section totals on the DeCA management copy of DeCAF 40-55 to ensure the DeCA management copy is maintained as an exact duplicate of the contractor's copy.

      (3) Contract inventory section totals are the basis for the validation process which measures the accuracy of the inventory counts overall.

   b. ROs shall ensure DeCA support personnel and contract personnel previously identified in the AI plan, and acting in coordination with the inventory manager, are available to help, as necessary. The facility or inventory manager shall ensure information, or the means to obtain information, is readily available, if needed.

      (1) DeCA support personnel shall do price checks/verifications, and must have access to scanning terminals. DeCA support personnel will also do unit pack/pallet tie and tier verifications.

      (2) ROs shall caution support personnel to be careful not to take any action when providing their services to compromise the independence of the inventory count/valuation, the integrity of the validation process, or that of the AI.

   c. Government inventory team personnel shall count/value items sold by weight which are on display, or are not in full cases, by actually weighing the items rather than by estimating the weight. Government support personnel will place items on the scale, replace items as weighing is completed, and will move the scale (if portable or mobile). Inventory team personnel shall record item weights and prices per pound by machine or on count sheets.

   d. ROs shall ensure any changes or corrections to AI documentation is done IAW the following procedures, and changes to any information recorded on the automated DeCAF 40-55

are made both on the inventory team copy and on the DeCA management copy. The general procedure for making corrections is:

(1) Draw a single ink line through incorrect information.

(2) Annotate correction or change, in ink, as close as possible to information to be corrected.

(3) Annotate initials of person making correction and of authorizing official, if appropriate.

(4) Provide a short explanation of reason for change or correction.

e. In the specific instance of corrections or changes on DeCAF 40-55, both the inventory team chief and DeCA management representative initials shall be annotated on both copies. If using an automated DeCAF 40-55, the contractor's copy will be changed and initialed.

f. A copy of the contractor's DeCAF 40-55 will be retained by the store along with a printed copy of the automated DeCAF 40-55.

APPENDIX 4A: SAMPLE FORMAT FOR PRE-INVENTORY BRIEFING

This format may be used for briefing prior to either contract or in-house inventory counts. However, modify the format to suit the method of inventory, and to accurately and completely depict local circumstances. The briefing should be detailed, but also simply presented, for installation inventory teams who do not regularly do this kind of work; and much less detailed for contract inventory teams who do this professionally, and for whom the terms of the PWS rule. At a minimum, address topics indicated for inclusion in briefing; but also include any additional information contributing to the accomplishment of an efficient, accurate, and complete AI for the particular circumstances/facility. Any part of the text, such as the opening remarks, which is written in detail to indicate tone as well as content, need not be stated exactly as written. Include in the briefing all personnel, including DeCA personnel, who will be involved in any way (e.g., inventory team, validation team, assistance) in AI physical count/valuation.

WELCOME, INTRODUCE SELF, THANKS FOR COMING, etc.

The purpose of this briefing is to explain the reason we are doing this physical inventory; to provide information regarding schedule and location of facilities for personal use; to discuss safety and security; and to describe procedures used to do the inventory. Right after this briefing, we will make a walk- through to review inventory preparations and to look at facility layout. If, during this briefing, during the walk-through, or at any time during the inventory you have questions or concerns about anything, please let me know, or one the team members for whom I will introduce to you, know.

INTRODUCE KEY DeCA PERSONNEL AND KEY INSTALLATION OR CONTRACT PERSONNEL; INDICATE GENERAL ROLES IN INVENTORY PROCESS. IDENTIFY SPECIFICALLY THOSE TO WHOM QUESTIONS, etc., MAY BE DIRECTED.

DeCA requires a determination of account status be made at least annually, and, as part of this process, we need to do a physical inventory count/valuation of all resale assets (the merchandise we sell). The purpose of this physical inventory count is to determine, as accurately and as completely as possible, the dollar value of all resale assets currently on hand. In doing so, we will not be concerned with the kinds (brands, sizes, etc.) of items we will be counting, but only with how many of each there are, and with the dollar value of these items. We will not count operating supplies or equipment during this inventory. The dollar values from the physical count, combined with other financial information, will be compared with the departmental dollar values tracked on paper (book values), to find the difference. This difference, gain or loss, indicates how well, or how badly, we have managed and safeguarded DeCA assets. Because this physical inventory count is the basis for a financial "report card," it is most important you are very careful and thorough in performing your role.

Here is some practical information you will need:

DISCUSS SCHEDULE, including start time, breaks, lunch, finish time. (If contract, this cannot be dictated, but should have been sufficiently coordinated beforehand so contract and DeCA

personnel are in sync.)
INDICATE LOCATION OF RESTROOMS, WATER FOUNTAINS, SMOKING AREAS, BREAK ROOM, RESTAURANTS/SNACK BARS, TELEPHONES (and rules for use), AND ANY AREAS "OFF LIMITS."

Here are SAFETY and SECURITY considerations/concerns:

DISCUSS GOOD SAFETY PRACTICES, WITH EMPHASIS ON PROPER OPERATION/USE OF PIT EQUIPMENT, PROPER LIFTING TECHNIQUES, ACCIDENT REPORTING, AND SPECIAL CARE IN HAZARDOUS AREAS; e.g., HOUSE RACKING, HIGH STACKS OF PRODUCT, SLIPPERY FLOORS.

DISCUSS GOOD SECURITY PRACTICES, WITH EMPHASIS ON ENTRY/EXIT CONTROLS, GRAZING/PILFERAGE, AND SENSITIVE ITEM AREA CONTROLS.

Here are the procedures we shall use to do inventory:

INDICATE LOCATION OF INVENTORY CONTROL POINT, PERSONNEL WHO WILL BE MANNING THIS LOCATION, AND WHAT HAPPENS AT CONTROL POINT. (For contract, this is the point from which contract team chief will direct activities of contract personnel, and at which DeCA inventory personnel and contract personnel will coordinate in dealing with inventory documents, etc. For in-house, this is the point from which DeCA management personnel will make all section count assignments, issue and retrieve count sheets, and at which inventory team, validation team, and DeCA management will coordinate in dealing with inventory documents, etc.)

IN-HOUSE ONLY Describe procedures for direction of count in each section (e.g., start with the top shelf and proceed from top to bottom, counting items on each shelf; or in single level display or storage, proceeding from left to right); and FOR ENTERING INFORMATION ON COUNT SHEETS;

CONTRACT OR IN-HOUSE For handling items needing to be weighed and other special cases (e.g., collections of dissimilar items, etc.), indicate where to locate prices/unit packs/pallet ties; and whom to consult for price checks or other missing/unclear information.

Please be accurate, careful, thorough, and responsible in doing this inventory. Please ask questions whenever you feel it is necessary. Thank you for your help in completing this important task. We shall now go for a walk-through of the facility.

DURING WALK-THROUGH, POINT OUT THE VARIOUS AREAS; e.g., restrooms

As described in briefing: Explain sectioning; indicate which areas are sales floor areas and which are back-up/storage areas. Point out the areas or merchandise not included in the inventory. Call attention to obscure or "hidden" areas or items included in inventory. Show locations at which prices, unit packs, pallet ties, or any other information needed for counting are to be found. Identify any areas of safety or security concerns. Call attention to any other matters you feel will help inventory folks do their jobs accurately, completely, and efficiently.

SECTION 5: IN-HOUSE INVENTORY

5.1. PURPOSE. To provide guidance on how to conduct a two count physical inventory normally performed by DeCA personnel who are divided into count and validation teams, and monitored by representatives assigned by DeCA management. Commissary management may request the services of a contractor to supplement inventory teams when sufficient numbers of DeCA employees are not available. When using a contractor, the commissary will conduct one count by contractor personnel and one count by DeCA personnel and comply with the requirements set forth in the PWS.

5.2. AREAS TO BE INVENTORIED. Areas may include any or all of the following: grocery; meat; produce; and DeCA-owned bakery, deli, and seafood departments within commissaries; or meat products within the CMPP. This includes items on the sales floor, perishable and nonperishable storage rooms, processing and/or preparation rooms, contiguous and remote warehouses, warehouse backup and storage areas, and CDCs/CMPP.

5.3. FREQUENCY. In-house inventories are conducted at least once a year IAW guidance contained in an annual Resource Management AI memorandum as supplemented by area direction and guidance.

5.4. RESPONSIBILITIES. Responsibility for the inventory will rest with the Government for government-owned product. Inventory responsibility will rest with the contractor for contractor-owned product unless there is negligence on the part of the government.

5.5. STORE DIRECTOR AND CDC/CMPP MANAGER RESPONSIBILITIES. Store directors and CDC/CMPP managers will prepare and plan for AIs as follows:

   a. 60 to 14 Days Before. Prepare an inventory plan and notify all designated personnel in writing of their roles in inventory processes.

   b. 60 Days Before. Ensure proper planning of the ordering process to maintain adequate stock availability throughout the inventory period.

   c. 60 Days Before. Notify all suppliers of product and services, CA contractors, vendors and vendor stockers, distributors, and unions of the inventory schedule and how it will affect them.

   d. 14 to 7 Days Before. Ensure all supplies (tape, pencils, markers, etc.) needed to conduct inventory are on hand. Indicate, either by posting a label or tag on cases or pallets, the tie and tier of pallet lots; the unit or pound pack per case; and the number of units and prices of contents of "open and broken" cases or containers.

e. **4 to 0 Days Before.** Identify and stamp all "before inventory" transactions.

f. **1 Day Before.**

(1) Ensure count sheets for all areas are prepared.

(2) Ensure the master DeCAF 40-55 has been prepared, as required.

(3) Post section numbers.

(4) Ensure pricing is complete for the sales floor and backup storage (includes random weight).

(5) Perform a walk-through to ensure preparations are complete.

g. **Day of.**

(1) Ensure two independent teams are conducting the counts and dollar values match. Recounts may be necessary by each team to ensure counts are accurate

(2) Ensure the master DeCAF 40-55 is properly annotated and completed. The form can be found on OneNet, Public Folders, Store Operations, Inventory Information, Inventory Tools.

(3) Record department total dollar amounts on DeCAF 40-105, In-House Dollar Value Inventory Certificate, Figure 4, and forward to the RAB/ORAB with back-up information.

(4) Each inventory team for the meat and produce department should contain at least one impartial member from another department. Department managers may serve as a validation team chief but may not be on the primary team or have access to the primary team's documentation.

(5) On the day of inventory, prices on scandown items or items on in-store vendor credit memorandums (VCM) must reflect their regular prices for the inventory. The following sales day, scandowns and items on in-store VCMs must reflect the promotion prices for the remainder of the promotion period. Stores with ESLs must ensure ESLs remain in price mode during inventory to ensure prices are visible for the duration of the inventory. Upon competition of the inventory, ESL jobs must be scheduled to revert back to their normal daily settings.

h. **0 to 7 Days After.** Identify and stamp all "after inventory" transactions.

IN-HOUSE DOLLAR VALUE INVENTORY CERTIFICATE
(For use of this form, see DeCAD 40-1; OPR is MPO.)

A DOLLAR VALUE INVENTORY WAS CONDUCTED AT *(Name of Store)*

ON DATE	STARTING AT *(Time)*	AND ENDING AT *(Time)*
AND AGAIN ON	STARTING AT *(Time)*	AND ENDING AT *(Time)*

THE TOTAL DOLLAR AMOUNT FOR EACH DEPARTMENT IS AS FOLLOWS:

GROCERY DEPARTMENT $ _____

MEAT DEPARTMENT $ _____

PRODUCE DEPARTMENT $ _____

WE, THE UNDERSIGNED, CERTIFY THE FOLLOWING:

a. PERFORMANCE PERIOD (DATES, STARTING AND ENDING TIMES) INDICATED ABOVE ARE ACCURATE AND CORRECT.

b. DOLLAR AMOUNTS AND ALL TOTALS LISTED ON THE INVENTORY CONTROL LOG AND THIS CERTIFICATION ARE CORRECT TO THE BEST OF OUR KNOWLEDGE.

INVENTORY TEAM CHIEF	DATE	COMMISSARY OFFICER	DATE

DeCA Form 40-105, May 2013   Supercedes DeCA Form 40-105, Aug 1994

Figure 4. DeCAF 40-105, In-House Dollar Value Certificate

5.6. DOCUMENTS AND PREPARATION REQUIRED. ROs shall ensure DeCAF 40-55 is used to record section inventory values and is prepared and handled as follows:

a. Except when DeCA's Interactive Business System (DIBS), outside the continental United States or point-of-sale capability is used for doing inventory counts, in-house inventory teams will do all counts manually, with dollar value extensions done separately. For in-house inventory, prepare inventory count sheets designed for sales floor or for backup/storage area counts, as appropriate, for all sections that will be counted. Section numbers indicated on these inventory count sheets must match the section numbers assigned for count/valuation on DeCAF 40-55.

b. Prepare count sheets for the sales floor and backup/storage areas, as appropriate, for all sections selected for validation. Refer to current PWS for sections selected for validation. The section numbers indicated on these validation count sheets must match the section numbers shown on DeCAF 40-55.

c. To safeguard the integrity of the validation process, ROs shall ensure information

regarding location, count, and value of a section selected for validation is not made known to any member or members of the inventory team until such time as the inventory count/valuation for the section selected for validation has been completed and posted to DeCAF 40-55.

   d. ROs shall ensure inventory certification forms are prepared and handled correctly. Departmental dollar value totals are computed in-house, usually by support personnel of the facility inventoried. The RO, in conjunction with the inventory team chief and validation team chief, will complete DeCAF 40-105 The RO shall forward in-house inventory certification documents to the OAB.

5.7. PRE-INVENTORY BRIEFING. A pre-inventory briefing shall be presented to Government, and contractor if applicable, employees prior to the inventory. A sample briefing is provided in Section 4, Appendix 4A.

5.8. INVENTORY COUNTS AND RECORDING SECTION VALUES. The inventory count will begin at the completion of the briefing and facility walk-through.

   a. During in-house AIs, except when hand-held terminals are used, DeCA inventory team personnel enter the number of items times price (sales areas) or number of cases times unit pack times price (storage/warehouse areas) on count sheets designed and prepared for use in each of these areas. When using a portable calculator, ensure two matching calculator tapes are attached.

      (1) As a means of controlling count sheets during in-house inventories, charting the progress of the inventory count, and indicating the sections in which the validation process must be initiated, the inventory team leader or other designated personnel shall annotate, in the left-hand margin of both the inventory and management copies of DeCAF 40-55, opposite the section number, the initials of the inventory team member to whom the count sheet for the section was issued, and the time the count sheet was issued. As inventory team personnel complete each section count and return count sheet(s) to the AI control point, inventory control personnel shall annotate "C" for completed and the time completed, on the left-hand end of the section block in column 2 of DeCAF 40-55. Annotate on both contractor and DeCA manual copies.

      (2) At area or local management option, DeCA personnel assisting with in-house inventory may do dollar value extensions of these inventory count sheets as each count is completed, or only after all counts have been completed.

      (3) The activities of in-house inventory team personnel are directed by the inventory team chief. DeCA personnel who are otherwise involved in the AI process must be careful not to take any action to compromise the independence of the inventory count/validation, the integrity of the validation process, or that of the AI. All price extensions, computation of subaccount, departmental, and overall inventory dollar values are done by DeCA personnel, and the inventory certification is done by the RO, in conjunction with the inventory team chief and the validation team chief.

   b. ROs shall ensure DeCA assistance/support personnel (and subaccount contract personnel, if not prohibited by contract) previously identified in the AI plan and acting in coordination with the inventory manager, are available to help, as necessary. The facility or inventory manager shall also ensure information or the means to obtain information is readily available, if needed.

        (1) Assign DeCA assistance/support personnel with knowledge of departmental subaccount areas to be available for all departmental and subaccount areas which will be counted.

        (2) DeCA assistance/support personnel shall do price checks/verifications, and must have access to scanning terminals, price lists, or to some other means of obtaining accurate and current price information; and will also do unit pack/pallet tie and tier verifications. DeCA assistance/support personnel shall generally do whatever else may be necessary to clarify or correct information or conditions threatening the accuracy or progress of the inventory count/valuation.

        (3) ROs shall caution assistance/support personnel to be careful not to take any action compromising the independence of the inventory count, the integrity of the validation process, or that of the AI when providing their services.

   c. During both contract and in-house inventories, inventory team personnel shall count/value items sold by weight which are on display, or which are not in full case lots, by actually weighing the items rather than by simply estimating weight. As a variation on the general rule of complete independence of inventory count/valuation, whether contract or in-house, such items may be weighed jointly by inventory team personnel and DeCA AI assistance/support personnel or subaccount contract personnel, as applicable. DeCA support personnel will place items on the scale, replace items as weighing is completed, and will move the scale (if portable or mobile). Inventory team personnel shall record item weights and prices per pound on count sheets.

   d. ROs shall ensure any changes or corrections to the AI documentation is performed IAW the published procedures, and changes to any information recorded on DeCAF 40-55 are made on both the inventory team copy and DeCA management copy. General procedure for making corrections is:

        (1) Draw a single ink line through incorrect information.

        (2) Annotate correction or change, in ink, as close as possible to information to be corrected.

        (3) Annotate initials of person making correction and of authorizing official, if appropriate.

        (4) Provide a short explanation of reason for change or correction.

        (5) In the specific instance of corrections or changes on DeCAF 40-55, both the

inventory team chief and DeCA management representative initials shall be annotated on both copies.

5.9. MEAT DEPARTMENTS/CENTRAL MEAT PROCESSING PLANT (CMPP).

    a. Commissaries conducting meat department inventories will take a dollar value count and a full or partial validation count of all meat and DeCA owned deli/bakery items located in the department's storage boxes, processing areas, and display cases.

    b. The CMPP will take a dollar value count and a full or partial validation count of all meat items located in the storage and picking room.

5.10. FAT AND BONES. Fat and bones to be disposed of will be priced at 100 percent of the set contract price. List fat and bones on the form as a single line item entry in the same way required for processed items (where applicable).

5.11. INVENTORY UNPROCESSED BULK MEAT.

    a. Inventory beef trimmings at current ground beef price.

    b. Commissaries round off fractions of weight using the mil rule.

    c. CMPP inventory value of primal at receipt price.

5.12. PREPACKAGED MEATS. Inventory vendor prepackaged merchandise at the selling price (where applicable).

5.13. WEIGHING MEATS. Meat items needing to be weighed can be inventoried by the in-house inventory and validation team members simultaneously.

SECTION 6: MONTHLY DEPARTMENTAL INVENTORY

6.1. PURPOSE. To provide guidance to the department manager who will use the wall-to-wall method for all department inventories by counting all items in the order in which they are stored or displayed from one wall to another. The total monetary count is recorded on the approved record of operations inventory document located in the RAB/ORAB files and are automatically sent to the stores upon completion.

6.2. AREAS TO BE INVENTORIED. May include meat, produce and DeCA-owned bakery, deli and seafood departments to include items on the sales floor, perishable and nonperishable storage rooms, processing and/or preparation rooms, contiguous and remote warehouses, warehouse back-up and storage areas, and distribution centers.

6.3. FREQUENCY. Department items will be inventoried at least once each month. Generally the inventory is taken on the last day of the month, however, the inventory may be taken up to 6 days before the last day of the month or up to 3 days after the end of the month with prior authorization from Store Operations.

6.4. RESPONSIBLITIES. Inventory teams made up of government employees will be assigned for each department being inventoried. The inventory team will enter counts on section IV of the record of operations form or another approved form. The monetary value of display case items may be used in place of an item inventory for the trial balance. Each team member will sign the inventory. Then, one of the team members will hand-carry their copy to the Office of the Store Director (SDO) for price extension and to determine the status of the department account.

6.5. BACKUP STORAGE COUNTS. Backup storage counts may be taken before the close of business on inventory days. No item may be moved from storage for sale after the inventory. If items must be restocked, the count must be adjusted. Meat backup product that is not processed and bulk unprocessed produce will be inventoried at cost.

6.6. DISPLAY CASE INVENTORY. Inventory display cases as soon as possible after the commissary closes. Inventory display case items at resale price. Make sure items are separated and cases are in order to get an exact count. Manual count sheets may be used to track counts during the inventory process but use of an adding machine, hand-held terminal (HHT) using inventory mode, or register in training mode, is recommended to validate accuracy of count. The total value of all items will be listed on one adding machine tape, HHT inventory report, or register receipt and will be attached to the inventory record.

6.7. FAT AND BONES. When conducting meat department inventories, fat and bones to be disposed of will be priced at 100 percent of the set contract price. List fat and bones on the record of operations form as a single line item entry in the same way required for processed items.

6.8. WEIGHED ITEMS. Items needing to be weighed can be inventoried simultaneously by the inventory and validation teams.

6.9. INVENTORY COPIES. The department manager will sign and send the original of the monthly inventory to the SDO. The manager will keep a second copy in the department file for 12 months.

6.10. INVENTORY GAIN OR LOSS.

    a. Meat Departments not on the Centralized Pricing Program (CPP).

        (1) The meat department will have a gain or loss not to exceed 2 percent for the monthly inventories.

        (2) The cumulative accountable variance for the meat department should be no greater than +0.3 percent gain/no loss.

    b. Centralized Pricing Program Meat Departments.

        (1) Store monthly and year-to date tolerance will be up to 4 percent gain with no loss authorized. This is the percent reflected on the Group RO after the department has been credited for losses incurred as a result of the monthly/year-to-date manager special allocation unless provided a waiver by the Executive Director, Store Operations. Ensure year-"go"-date is changed to year-"to"-date.

    c. Produce Department.

        (1) The produce department's maximum allowed variance is 2 percent (loss), and up to a 4 percent (gain) for the monthly inventories.

        (2) The cumulative accountable variance for the produce department should be no greater than +1 percent gain/no loss.

    d. Meat and produce departments will have 3 months after formal inventory to get their cumulative variance in tolerance while not exceeding the monthly allowable variance. For example, if the formal inventory is in March, then the account must be in tolerance by the end of June.

e. Individual stores cannot exceed the allowable cumulative unless provided a waiver by the Executive Director, Store Operations Group. The RAB/ORAB must be notified by October 31, each year, of any store specific variances approved for that year's inventory results.

SECTION 7: TOBACCO

7.1. PURPOSE. Provide guidance to store directors who must conduct periodic physical inventories to determine the value of resale assets.

7.2. CONDUCTING TOBACCO INVENTORIES.

   a. DeCA requires all commissaries selling tobacco to conduct in-house inventories at least monthly and record on the Tobacco Document Log.

      (1) Inventories may be conducted using the HHTs in inventory mode, on a register in training mode (with the surcharge removed), or utilize an in-house form for recording manual counts.

      (2) All vendor price reductions (VPR) must be turned off and products inventories at regular selling price.

      (3) Inventory totals must be recorded on the Tobacco Document Log and supporting inventory documents filed in the tobacco folder.

   b. In addition to monthly inventories, commissaries must conduct a 100 percent inventory of tobacco products in accordance with requirements of the Navy Exchange Command or Army and Air Force Exchange Service (AAFES).

      (1) At Charleston NWS, Moffett Field, and Pearl Harbor, a 100 percent physical inventory of tobacco products must be conducted at the end of each exchange quarter. The scheduled dates of inventories are the last business day of the exchange quarter after close-of-business (COB).

      (2) Commissaries that receive tobacco support from AAFES will conduct an annual inventory of tobacco products in January after COB on a date determined by AAFES. This inventory will be conducted jointly by commissary and AAFES personnel. Semiannual inventories with the exchange will be required if the commissary was out of tolerance the previous year.

      (3) Inventories may be conducted using the HHTs in inventory mode, on a register in training mode (with the surcharge removed), or utilize an in-house form for recording manual counts.

      (4) All VPRs must be turned off and products inventoried at regular selling price.

      (5) After the exchange and commissary personnel agree on totals, the Commissary Tobacco Certification, Figure 5, is completed, signed by the commissary and exchange inventory team chiefs, and a copy provided to exchange personnel and the RAB/ORAB.

(6) Inventory totals must be recorded on the Tobacco Document Log and supporting inventory documents filed in the tobacco folder.

Caution for locations receiving from AAFES Distribution Centers: Manifests (receipts) must be annotated as "BEFORE INVENTORY" or "AFTER INVENTORY" for the 2 weeks prior to and after the inventory date. AAFES posts the order to the book inventory when it leaves the distribution center. If the order has not been received, it is considered as merchandise in-transit. Copies of the receipts for "BEFORE INVENTORY" should be given to the AAFES POC at the time of the physical inventory.

c. Refer to DeCAM 40-5.1, Grocery Department Operations, Chapter 16 for additional guidance.

Figure 5. Tobacco Inventory Certification

Commissary:_____   Date:_____

DODAAC:_____

We, the undersigned, certify the inventory was conducted according to established procedures of all TOBACCO PRODUCTS on this date. We certify the dollar value listed below is true and correct to the best of our knowledge and belief.

The total dollar value of the inventory was $_____

Signature:_____   Signature:_____

Printed Name:_____   Printed Name:_____
    Inventory Team Chief   Inventory Team Chief
     (DeCA)   (AAFES/NEXCOM)

Signature:_____

Printed Name:_____
     Store Director

SECTION 8: ACCOUNTABLE INVENTORY PROCEDURES FOR CENTRAL DISTRIBUTION CENTERS (CDC)

8.1. PURPOSE. Provide instructions on conducting CDC inventories.

8.2. CONDUCTING CDC INVENTORIES. Items to be inventoried include semi-perishable and perishable items and consumable supplies for the support of their commissaries. The CDC manager must ensure all the required procedures are followed in order for the inventory to be accomplished in a timely manner.

8.3. PREPARATION. Personnel performing the inventory will come from in-house resources unless assistance is requested to assist CDC personnel.

   a. The CDC warehouse manager will:

      (1) Assemble all inventory supervisors, team leaders, team members, and MHE operators.

      (2) Present an oral briefing stressing the purpose and importance of the physical inventory. The inventory project manager will assist in the briefing, as required. The briefing should include review of performance requirements, accuracy, and timeliness goals. A sample briefing is provided in Appendix 4A.

      (3) Assign inventory teams to CDC warehouse inventory sections according to the CDC warehouse diagram layout.

      (4) Assign inventory team leaders to CDC warehouse locations for general supervision and coordination.

      (5) Assign MHE operators to assist specific inventory teams.

      (6) Inform inventory team members and MHE operators when to report to designated inventory sections.

      (7) Ensure inventory teams and team leaders report to designated inventory sections.

   b. The inventory project manager will issue section tags (where required), multiple colored markers, calculators, papers, and fully charged radio frequency hand-held terminals (RF-HHT) to inventory teams.

   c. The inventory project manager will ensure, throughout the course of the inventory, there are enough charged batteries on hand.

d. Counting teams will start counting at the location assigned by the inventory team leader.

e. The inventory project manager will ensure:

(1) The prepared schematic of the warehouse is divided by sections. These sections will correspond to the locator control number (DIBS only) or to the inventory count code assigned by the control office prior to the radio frequency hand-held terminal (RF-HHT) session being opened (warehouse management system (WMS) only).

(2) Plans for the inventory are reviewed and finalized at least 2 workdays prior to the actual inventory date.

(3) Numbered sections for the inventory are clearly marked at the start and end of each section. Also, verify the in-flow racks for slot sequence, identification labels, and issue packs; and ensure overflow pallets have slot tags, UPC/catalog number, tie count, and complete layers (DIBS only).

(4) The inventory code assigned by the control office represents the aisles to be inventoried. An inventory supervisor will enter into the RF-HHT the aisle and the count; i.e., (is warehouse section, E is the aisle, '1 followed by the location 001, for WMS P' is prime locations, and 'R' is reserve locations. The system asks for first or second count sequence to be entered (WMS) and a first and second count is required in DIBS.

(5) All pallets have been squared off, have proper tie count, and honeycombing has been eliminated.

(6) Cross-aisle merchandise has been placed into racks and identified (DIBS only), where possible.

(7) Bulk merchandise is lined up in uniform pallet loads and labeled with slot tags and UPC/catalog numbers showing (DIBS only). For locations with warehouse management systems (WMS), assign prime or reserve locations for all license plate numbers (LPN) - a unique number, typically a barcode can be assigned to any arbitrary group of inventory. LPNs enable users to perform complex inventory transactions via a single barcode scan, improving efficiency and accuracy.

(8) One-time buy merchandise is lined up in uniform pallet loads with slot tags and UPC/catalog numbers showing (DIBS only). For locations with WMS, assign prime or reserve locations for all LPNs and ensure pallets are marked if one case is one pallet.

(9) All merchandise to be returned to the vendor has been identified and shows the UPC/catalog number and issue packs (DIBS only). For locations with WMS, if product is bought back, LPN should be in a consumed status. Product which is still pending must be located in a reserve location without any lock code associated with the product for inventory purposes.

(10) All items in the salvage area are processed prior to inventory; however, if products remain, they should be identified with tags indicating the total dollar amount (DIBS only). WMS products should be processed prior to inventory. If product is not processed, it should be re-received and then located into a reserve location.

8.4. ACCOUNTING REQUIREMENTS. The manager must ensure the ORAB is notified 30 days in advance of the inventory date, and all debit and credit documentation is processed up to the date of the inventory. Accounting procedures in DeCA Directive 70-6 will be followed to report the results of the physical AI.

8.5. ADMINISTRATIVE REQUIREMENTS. Management will ensure a locally devised log is provided with section numbers assigned. The log shall include spaces for the first team and second team and will include, at a minimum, the assigned section number, persons to be assigned to the section, the start time, and end time.

8.6. VALIDATIONS. All validations must be performed by separate teams with individuals who have no knowledge of the prior counts. CDCs will perform true blind counts by having two different count teams enter the total of the first and second counts directly into the RF-HHT while scanning the location, in some instances where the RF HHT's cannot be used like freezers they use count sheets and then they are scanned into the batch HHT's instead of writing the total count on the pick slot location.

8.7. PROCEDURES AND CONTROLS FOR DIBS ONLY INVENTORY. The inventory will be a two-count, case count system.

a. Count teams will be divided into count team 1 and count team 2. Each team will consist of two members, one to do the count and one to enter the count into the RF-HHT, in some instances where the RF HHT's cannot be used like freezers they use count sheets and then they are scanned into the batch HHT's

b. Ensure each count team counts the location at a different time. Each team will have a way of identifying the pallet/location to ensure the section has been counted.

c. After the count team has completed counting the section, the RF-HHT and or count sheets will be given to the section supervisor to turn in to the inventory management control (IMC) section to download the data.

d. After the RF-HHTs have been downloaded, the IMC will update the RF-HHT count in DIBS when all locations have been completed and then they will run the recount list.

e. The recount list will be given to the team 3 which has done no prior counts to do the recounts. Individuals who did the first or second counts cannot do the recounts.

f. The recount list will be done on paper and returned to the IMC. The IMC staff will check the counts against the first two counts in DIBS. If the count matches one of those, the IMC staff will enter it as the final count.

g. When differences are discovered, a recount is performed. If the third count does not match, a fourth and final count will be performed by a fourth inventory team with a team chief observing to determine correct count.

h. Counts are adjusted when two counts match or two of the four counts are within an acceptable tolerance. Once the multiple count reconciliation is clean and shows no discrepancies, the booking process takes place.

i. After all recounts are complete, the IMC team will run a preliminary inventory results list. This list will be reviewed for errors, checking for both large overages/shortages of items. These items will be verified before running the final inventory results list.

j. Provide final reconciled section results to the CDC manager.

k. The CDC manager may request permission from HQ to temporarily suspend the formal inventory count at any time if he or she feels the inventory is being conducted improperly, or the count has been corrupted in any way. The manager must contact the Chief, Distribution / Transportation Division (LELD) for authorization to cancel the inventory.

8.8. AUTOMATED CDC WAREHOUSE ACCOUNTABILITY INVENTORY. This section outlines the processes used to manage inventory in the warehouse, including cycle counting and physical , inventory synchronization, and miscellaneous functions performed related to inventory management.

a. Cycle count tasks are created either through the use of triggers (event based) or regularly scheduled batches. Once the task is created, WM uses a specific function to count based on the location class. DeCA is configured to make real-time updates to inventory when a cycle count reveals a variance in the expected and counted quantities, rather than using an approval process. A distinct cycle count task group is configured for DeCA. This segregates cycle count tasks from other operational types of tasks, such as replenishment. However, please note that users can be configured to operate multiple task groups.

b. Cycle Count Task Creation. WM can generate cycle count tasks as a function of configured "triggers" which are based on pre-defined warehouse events. The user interface (UI) option *Cycle Count Trigger* is used to configure which triggers are activated (directed putaway alternate, skipped replenishment pull, etc.). DeCA has the following triggers active:

> 2000: Cycle count active – picked to zero
> 5013: Alternate for active pick
> 5033: Short pick in active pick

6043: Skip for active put

WM also creates cycle count tasks on a regular basis according to user-defined rules in the UI option *Cycle Count Task Rules*. The application automatically creates cycle count tasks based on various types of information from the Item Master, Item Warehouse, LPN Header, LPN Detail, and Pick Location tables (i.e., range of items, range of locations, item velocity, item value, inbound shipment etc.) in order to set up a cycle count program. The frequency of the cycle counts can be configured as a function of these item and location characteristics.

    c. Cycle Count Task Execution. WM uses a single program for cycle counting, with multiple configurations, based on whether the current location is active or reserve. For active locations, the program also behaves differently according to whether the location tracks the inbound license plate number (iLPN) or not. Note that while iLPNs are always tracked in reserve, active locations also have the ability to track iLPNs, which is configured at the Pick Determination Zone level. For both active and reserve counting, the Facilities Master and individual transactions are configured to assign a new cycle count task to a different user when there is a variance outside of the specified tolerance. Note that previously the tasks were assigned to specific users by a supervisor. As detailed below, perpetual inventory (PIX) are generated for the adjustment of inventory during cycle count.

    (1) Cycle Count by iLPN (Active and Reserve). This configuration is used when counting reserve, as well as for active locations that track LPNs. Operators use the radio frequency (RF) functionality for *Select Task* (CTRL-S) and are assigned the next cycle count tasks for Reserve or Active (tracking LPNs) inventory. If using the menu option instead of tasking the individual, functions for Cycle Count Active or Cycle Count Reserve would be selected.

    (2) The operator first scans the location, followed by each LPN. If the operator scans an LPN different than what warehouse management (WM) believed to be in the location, a variance message is displayed to the operator at the end of the count, and they must confirm the variance. After scanning each case, the user enters the unit quantity for the item in the iLPN and if an item or quantity variance exists, a warning is displayed before updating the iLPN with the new actual quantity. WM locks any iLPN not scanned when a location is cycle counted with the "Lost in Cycle Count" lock code that is configured in the Facilities Master. If an LPN with a "Lost in Cycle Count" lock code is counted in a different location, the lock code is then removed. The iLPN is updated in the new location and WM generates inventory adjustment (300 01) PIX transactions.

    (3) Cycle Count by Item (Active). This configuration is used when counting active locations that do not track LPNs. The operator uses the RF functionality for *Select Task* (CTRL-S) and they are assigned the next priority task according to their task group and current work group/work area.

    (4) To perform the count, the user scans the active location and item, and keys the number of units in the location. If a variance exists between what is entered and what the system shows in the location, WM either accepts the variance and updates the location, or creates a new

cycle count task for a different user to execute based on whether the variance exceeded the configured threshold. Adjustments to active inventory create an inventory adjustment PIX (300 04).

      (5) When attempting to count an active location, the system will warn the user if there is a to be picked (TBP) or to be filled (TBF) quantity associated with the location, which indicates there is an open pick or replenishment task for the location. DeCA will not count a location when they get this warning.

   d. A Physical Count is done every five years per DoD requirements. Execution of physical counts requires two matching counts to allow for completion of the count for a location; however, the counts are usually done in separate sequences, and the results analyzed via reporting from the booking process, rather than within the function during the count. Also, similar to cycle counting, there is one function for counting inventory tracked by iLPN (either reserve or active), and a separate function for counting by item (active locations).

      (1) Freeze Inventory. DeCA freezes locations by zone and aisle separately for active and reserve within each range. Each freeze operation uses a different Physical Inventory Code, which the user will also enter as they are counting. The physical inventory reports are used to validate frozen locations before counting and ensure no location ranges are missed.

      (2) Physical Count Reserve. Operators use the RF option ***Phys Count*** to execute a count of iLPNs in reserve. The operator enters the Physical Inventory Code, and then scans the location being counted, followed by each iLPN in the location. For each iLPN, they enter the item and the unit quantity
.

      (3) Physical Count by Active. Operators use the RF option ***Phys Count Act*** to execute a count of active inventory. The operator enters the Physical Inventory Code, and then scans the location being counted. For a non-tracking location, the user scans the active location and item, and keys the number of units in the location. If the location is tracking iLPNs, the iLPN is scanned as well to confirm the quantity in each.

      (4) Monitoring. Using the Count Statistics option in the Physical Count transaction, users can display a graph comparing the number of locations frozen versus counted by location class. In addition, the ***Location Not Counted Report*** can list the locations that were frozen within a Physical Count Code, but not yet counted.

      (5) Reconciling. Once all locations have been counted, and if the operation has been defined for two counts, then WM must reconcile the counts before comparing counted inventory to frozen inventory. This means that WM ensures that the two counts are equal to each other. The user invokes the reconciliation process from the ***Print Multiple Count Reconciliation Report*** option. If discrepancies exist between the counts, the Reconciliation Report will display the differences by location. If no discrepancies exist, then the Physical Count Code will be updated to a Reconciled (40) status.

(6) Booking. Prior to booking a count, a ***Pre-Booking Physical Count Variance Report*** can be generated to review all inventory variances produced by the count.   By producing the Pre-Booking Report, users can see all the updates that will occur when the actual booking process is invoked, without actually making any updates. Users can then review, recount, or adjust any count details as needed. In addition, the report will list all count processing exceptions, i.e., location updated since the freeze, consumed iLPN counted, etc. Note that some exception conditions will prohibit any update to occur for that count.

(7) Once a Physical Inventory Code has been reconciled, if needed, and management has approved the counted inventory, the booking process must occur to update the WM and host inventory quantities. For any inventory variance, the booking operation updates the WM inventory tables and produces Perpetual Inventory Transactions (PIX) transactions for the host system for the change. Note that once a Physical Inventory Code is booked, the updates cannot be reversed. The booking process will update the Inventory Variance Header table with details for each variance found. Key fields include the warehouse, physical inventory code, before and after booking status codes and inventory quantity. A 605 PIX update is usually run after the count is completed and booked in order to provide the host system with a new baseline snapshot of the inventory.

e. Inventory synchronization (605 PIX). In order to keep the warehouse and host inventory in synch, a summary PIX process is used to periodically provide a snapshot of the aggregate item inventory levels from WM. The data is passed back to the host through the same PIX interface as all other inventory adjustments, however, for these types of PIX (605 level), the inventory quantity is an actual total rather than an adjustment quantity. DeCA processes summary level 605 transactions, so there is only one transaction per item, with the total across all inventory buckets for that item. In addition to the regularly scheduled runs of the 605 batch job, DeCA also uses the 605 PIX to synchronize the inventory levels after a physical count.

(1) The UI option ***Generate 605 PIX Transactions*** to start the inventory reconciliation process. Once this job is submitted, it summarizes the quantity for each item across all inventory buckets and writes a summary 605 PIX record for each. The host should analyze the 605 PIX for variances between what was expected based on current host on-hand inventory levels, and the WM inventory level. Variances should be researched to determine why there is an out-of-synch inventory situation, but the WM inventory level should be accepted and overwrite the host inventory level, since the WM quantity is accepted to be the true total.

(2) The 605 PIX is scheduled to execute on a regular basis without user intervention. Note that the generation of the 605 PIX needs to be done when warehouse is not working. If the 605 PIX job is run during warehouse operations, there is the potential for discrepancies to be generated from the inventory levels being changed during the job execution.

8.9. MANAGEMENT SYSTEMS CDC WAREHOUSE ACCOUNTABILITY INVENTORY. In coordination with the ORAB, ensure any pulls and file maintenance transactions for the warehouse from DIBS to the WMS is completed. Ensure all wave processes are completed and final pulls closed out in DIBS and the WMS. Perform all required checks

according to pre-inventory preparations as outlined in the WMS manual. Ensure all financials are processed prior to freezing in DIBS or WMS. Ensure the DIBS catalog master file for physical inventory has been frozen and all warehouse locations are frozen in WMS. Freezing the warehouse in DIBS locks all processes except the physical inventory process. Users cannot access the system except under physical inventory in DIBS. Follow all detailed instructions in the WMS manual.

    a. Preparation. Develop milestones once inventory dates are established. Prepare warehouse to ensure location barcodes can be scanned. Date sensitive items must be cycle counted prior to starting inventory. Ensure LPNs have been located through RF-HHT procedures. All locked LPNs must be unlocked prior to inventory; a listing must be generated of the LPNs containing a lock code to ensure the correct ones are locked after coming out of inventory. Check system data for errors in the database which may cause problems during inventory, such as negative prime locations. Contact HQ to arrange coverage of DIBS and WMS prior to the inventory. Failure to do so can result in a disproportionate inventory.

    b. Two-Count System. The inventory will be a two-count system. One team will conduct the first count using the automated count sheets or RF-HHTs. A second team will conduct the second count using separate automated count sheets or RF-HHTs. In no instance will the same person or count team conduct both the first and second counts for the identical inventory locations.

    (1) When both first and second counts for a count code are completed, the control office will then run a Frozen not Counted Report to confirm all locations have been counted and all counts for the same LPN/UPC in the location are the same. Once the frozen But Not Counted Report is cleaned, a Multiple Count Reconciliation Report is then processed. After the report prints, it shows any discrepancies by location, UPC, user, and the difference between first count and second count.

    (2) When differences are discovered, a recount is performed. If the third count does not match, a fourth and final count will be performed by a fourth inventory team with a team chief observing to determine correct count.

    (3) Counts are adjusted when two counts match, or two of the four counts are within an acceptable tolerance. Once the Multiple Count Reconciliation is clean and shows no discrepancies, the booking process takes place.

    (4) Booking process creates a PIX transaction, which is held until the CDC runs a 605. This updates DIBS and brings the CDC out of inventory. DIBS then generates an Inventory Results Report YPWM61 which has the inventory dollar amount.

    (5) Completed inventory totals are then passed to automatic data processing ORAB personnel for encoding processing and reporting to the CDC manager.

8.10. CYCLE COUNT FOR CDC.

a. Cyclic Inventories. Cyclic inventories are performed to keep an accurate inventory balance of each product carried by the CDC. Cyclic inventories ensure the correct amount of product will be on hand for issue and will ensure accurate ordering. When the balance-on-hand (BOH) for a product is found to be incorrect, a BOH adjustment must be made. Although the minimum requirement under WMS is to complete a cyclic count on prime locations once per year and to use audit checks to complete reserve locations, it is recommended a cyclic count for the entire CDC with DIBS is accomplished every quarter over a 12-week period. CDCs using DIBS should conduct weekly cyclic inventories. Records of these inventories shall be filed for 10 years. CDCs using the WMS require some cyclic counts daily, i.e., warehouse denials and wave shortages. Under the WMS, complete turns of warehouse prime locations occur every 6 months. Reserve locations are done by audit, which confirms the LPN are in the locations shown in the system. This is based on the DeCA overseas cycle count program created after WMS was put in place in the CDCs. All data pertaining to the cycle counts are maintained from the date of the last inventory until the next inventory, with exception of the YPWM89 DIBS Report, the Cycle Count Report for all primes counted, and the Monthly Cyclic Inventory Adjustment Spreadsheet, which needs to be maintained 10 years as required for financial documents.

b. Key Personnel and Duties.

(1) Personnel for performing the cyclical count are hired specifically to perform counts of selected sections and come from in-house resources unless a commercial contractor is used. The cycle count shift leader will manage cycle counters.

(2) The CDC manager will:

(a) Establish an inventory schedule for cyclic inventories in the operational instructions.

(b) Ensure the operational instructions for performing cyclic inventories are followed for their facility.

(c) Delegate, in writing, who is authorized to certify the Cyclic Inventory Exception Report.

(d) Ensure all necessary supplies for conducting the inventory (e.g., RF-HHT batteries, RF- HHT handhelds, pens, and forms) are available.

(e) Verify the daily amounts, identify any discrepancies, and certify the report upon receipt of the monthly Cyclic Inventory Adjustment spreadsheet from the ORAB. Scan the signed copy to the ORAB within 24 hours of completion.

(f) Ensure the ending and opening balances for the book inventory (maintained on the summary audit log (SAL) correctly reflect the manual book adjustment for the cyclic inventory results during the period in which book adjustments are manually made by the ORAB.

   c. Procedures and Controls. The cyclic count inventory will consist of a cycle count supervisor and cycle count personnel.

     (1) Reserve Audits.

       (a) When performing reserve audits and pallets are not located where system indicates, the cycle counter must lock the pallet lost in the cycle count or locate the LPN.

       (b) Any pallet not in the correct reserve location must be locked as lost in cycle count.

       (c) Supervisors will print the Lost In Cycle Count Report daily.

       (d) A complete cycle count of the prime location and all reserve locations associated with the UPC shall be performed.

       (e) If the above steps fail to produce the pallet, then a complete visual of reserve locations in the warehouse in which the prime resides must be completed to verify the pallet is not in warehouse.

       (f) If all of the above fails to produce the pallet, the pallet will remain on the Lost In Cycle Count Report for 14 days to verify the pallet does not exist.

     (2) Consume Pallets (Lost In Cycle Count).

       (a) Pallets, after 14 days on the Lost In Cycle Count Report, must be removed.

       (b) The removed pallet will be cycle counted in the reserve location in which the system believes it is in.

       (c) The cycle counter will scan the location and manually enter the LPN of the pallet.

       (d) The system prompts for the count on the pallet; at this point, the cycle counter enters a zero (0). This will allow the pix transaction to flow back to DIBS, updating the financials.

     (3) Damage.

       (a) When damage occurs in the warehouse and cases are removed from prime locations or reserve locations, no cycle count is required using the RF-HHT.

       (b) The supervisor will adjust the prime location; this prevents any updates of the financials in DIBS.

       (c) Documentation of damage must be maintained on DD Form 708, Inventory

Adjustment Monetary Account.

       (d) Reserve locations may be adjusted by using Modify LPN through User Interface only (LPN).

    (4) Backhauls.

       (a) Backhauls will not be counted.

       (b) When backhauls are received, they shall be received on a dummy container backed into the CDC.

       (c) Upon the completion of receiving all products (cases or pallets), a DeCAF 70-20, Subsistence Request for Issue, Turn-In or Transfer, will be used to update the financials.

    (5) Expired Product.

       (a) Pallets expired or outdated shall be moved into a reserve location.

       (b) Pallets in reserve location may be consumed using the RF-HHT by selecting the consume function.

       (c) Prime locations shall be adjusted to avoid financials updating.

       (d) Proper documentation; e.g., DeCAF 70-20, DeCAF 70-10, Vendor Credit Memo, shall be completed and submitted to adjust financials.

    (6) PIX Transaction Matrix. The following PIX codes are sent back to DIBS for updating financials.

       (a) Type-300, Code-01, Action Code -14

       (b) Type-300, Code-04, Action Code -14

    (7) Cyclic Inventories.

       (a) Completion of cycle counts for each CDC depends on the size.

       (b) The minimum is one complete count of the warehouse per year (prime locations), reserve locations are done with audit checks.

  d. Preparation. LPN must be located in the location indicated in the user interface. Discrepancies which are noted where LPNs are not correct, or the LPN does not exist in the system, must be reported and the appropriate action taken to correct the discrepancy. Failure to do so can result in a disproportionate cyclical count.

e. Accounting Requirements. The ORAB technician will receive the Cyclic Inventory Exception Report each time a report is generated. The technician will verify the document numbers assigned to each Cyclic Inventory Exception Report are sequential to ensure there is no missing report. Missing reports will either be obtained by requesting the print file be resent or by contacting the CDC for a scanned copy. The technician will annotate the applicable cyclic inventory adjustment spreadsheet with the daily net change in inventory from the Cyclic Inventory Exception Report. At the end of each month, the ORAB technician will send the Cyclic Inventory Adjustment Spreadsheet to the applicable CDC manager for review and signature. Upon receipt of the signed spreadsheet, an adjustment will be made in DIBS to the book balance by the net monthly total and a corresponding financial transaction input into Standard Finance System (STANFINS). The responsibility of the OAB technician to manually post the change to the book balance will remain in effect until such time as DIBS is updated to generate the adjusting transaction programmatically. Results of the cyclic inventories will be maintained at the CDC. The documentation will consist of:

(1) WMS Cyclic Inventory Exception Report (WM89) with cycle count supervisor's signature.

(2) Cycle Count Report. Cyclic inventory adjustments with management's signature.

SECTION 9: ACCOUNTABILITY AIDS

Accountability is a team effort. Virtually every action the commissary and CDC personnel perform in day-to-day operations has an effect on the resale accountability. Items in Appendices 9A, 9B and 9C are provided as aids to help maintain store accountability.

a. Appendix 9A, Accountability Causes and Concerns, contains areas of the operation that could adversely affect a commissary's accountability if not routinely monitored.

b. Appendix 9B, Commissary Inventory Preparation Helpful Hints provides a listing of inventory preparation tasks. While not all inclusive, it is intended to be used as a reminder to ensure necessary tasks are completed.

c. Appendix 9C, Management Review Checklist, must be used during a management review when an AI is out of tolerance. Areas of concern are identified and corrective action must be annotated.

APPENDIX 9A: ACCOUNTABILITY CAUSES AND CONCERNS

Accountability concerns can occur in every department. Spot checks should be conducted frequently in the following departments:

a. Office of the Store Director.

- ✓ VCMs not collected or submitted in a timely manner
- ✓ Keying receipt and sales in wrong department
- ✓ Not getting credit for GPLDs
- ✓ Not processing GPLD into DIBS
- ✓ Not reporting shortages to distributor
- ✓ Not reviewing VRGC and reconciliation of Summary Audit Log (SAL)
- ✓ Proper posting of DIBS
- ✓ Check receipts for errors in extensions, especially Direct Store Delivery (DSD)
- ✓ Not all documents are being received
- ✓ Incorrect memorandum entries
- ✓ Failure to properly train personnel
- ✓ DeCAF 70-20 store transfers not processed or filled out incorrectly

b. Front-End and Scanning.

- ✓ Product identification training
- ✓ Identify produce item by type
- ✓ Is it meat or grocery
- ✓ Random check of scanning techniques
- ✓ "Sweethearting" and "ghost shopping"
- ✓ Proper coupon handling
- ✓ Check procedures for nonscan items
- ✓ Check refund policies and procedures
- ✓ Review front-end systems periodically
- ✓ Review price error procedures
- ✓ Ensure products are in the right department in the front-end system
- ✓ Evaluate all coupon transactions outside of a sale to identify if your facility has a concern in this area (sweethearting or fraudulent transactions for personal gain)

c. Pricing.

- ✓ No price changes in the middle of roll-up
- ✓ Price verifications (Non-ESL Stores)
- ✓ Applying and hanging price change labels (Non-ESL Stores)
- ✓ Review daily and scheduled price changes
- ✓ Check price difference - DIBS versus FDS
- ✓ Make sure items are assigned to the correct department codes
- ✓ Check shelves for common sense pricing
- ✓ Check price look ups (PLU) for location

✓ Control RSL
✓ Ensure prices are applied IAW instructions received
✓ Are Commissary Online Product and Pricing System (COPPS) and price verify (mismatch) reports being reviewed and errors corrected
✓ Ensure price marking equipment and supplies are controlled and distinctive labels are used for reducing product price.

d. Grocery – Receiving.

✓ Perform DDR validation once per week for all distributors.
✓ Perform 100 percent random in-checks of FDS delivery no less than once a week
✓ Perform random spot check of DSD receiving no less than twice a week
✓ Rotate receiving personnel every 90 days per guidance in DeCAD 40-5, Grocery Department Operations. Ensure all receivers are trained accordingly.
✓ Make sure mispicks are identified and returned to distributor
✓ Justify refused shipments and make sure credit is applied
✓ Look for outdated/short coded merchandise
✓ Maintain distributor damage requirements and ensure credit is given by distributor.

e. Grocery.

✓ Cigarette control
✓ Case pack problems
✓ Taking product from store shelves to use as store supplies without documentation
✓ Noninvolvement from computer assisted ordering/orders (CAO) personnel on orders, overwrites, and display merchandise
✓ Failure to document interdepartmental transfers
✓ Proper scheduling of personnel, especially night personnel
✓ 100 percent verification of VCM counts for merchandise returned to vendor
✓ Warehouse /Backrooms not organized
✓ Sanitation
✓ Control over damaged merchandise
✓ Enforcement of contract for shelf stocking and receiving/storage/holding
✓ Working of markdowns, vendor stocked damage
✓ Track and process salvage on a daily basis, ensure delivery salvage is separated from store salvage and processed accordingly.
✓ Order display merchandise for delivery after price changes: Avoid "Buy High, Sell Low"
✓ Make sure to keep up with deleted items on shelves, designate an area for deleted items
✓ Monitor overwrites
✓ Work flagged item reports
✓ Work in harmony with contractors and night quality assurance evaluators (QAE) and or other personnel of interest, respective to grocery operations (OCONUS)

f. Security.

✓ Has a National Agency Check with written inquiries been requested on all civil service employees

- ✓ Effective lock and key control system
- ✓ Boxes flattened before leaving store and before putting in trash or baler
- ✓ All door openings controlled and monitored when doors are open/operational
- ✓ Employee entrances/exits/parking strictly controlled
- ✓ Are all emergency exit doors equipped with local audible alarms and panic hardware or other emergency exit devices
- ✓ Are all emergency exit alarms being checked weekly, with the check results marked For Official Use Only (FOUO) and protected
- ✓ Ensure outside freezer and storage areas are secured
- ✓ Ensure rollup receiving doors are secured when unattended to prevent unauthorized access/exit
- ✓ Ensure padlocks are relocked to the hasp or stable and not left in the open position
- ✓ Night login and logout book established
- ✓ Control vendor stocking access to facility
- ✓ Periodic package checks
- ✓ Management checking nighttime operations
- ✓ Control grazing and take immediate action if found
- ✓ QAEs/supervisors/management at night must patrol store
- ✓ Is exterior lighting adequate
- ✓ Are exterior lighting controls inaccessible to unauthorized individuals
- ✓ Enforce badges for employees, contractors, vendor stockers, and visitors.
- ✓ Secure tobacco products
- ✓ Control employee lockers
- ✓ Control merchandise leaving store; items listed on VCMs

APPENDIX 9B: COMMISSARY INVENTORY HELPFUL HINTS

- Has a detailed inventory checklist/plan been completed?
- Has a schedule been developed for all actions necessary to prepare for and conduct the accountable inventory?
- Have DeCA personnel been designated as Inventory Manager, Inventory Team, and Inventory Team Chief?
- Has a Validation Team and Team Chief been assigned?
- Have DeCA personnel been assigned for inventory preparation tasks (documents, sectioning, pricing, straightening up, etc.)?
- Have DeCA personnel been assigned to assist with the inventory (document, escort to section locations, price checks, product identifications, etc.)?
- Have personnel schedules been adjusted IAW union requirements?
- Have ordering, receiving, and delivery schedules been adjusted, if necessary?
- Has a sketch sales area been completed?
- Has a sketch of the warehouse/back-up areas been completed?
- Have section numbers been assigned on the detailed inventory diagrams?
  - Section numbers 1 -19 reserved for Produce Department inventory sections
  - Section numbers 20 - 49 reserved for Meat Department inventory sections
  - Section numbers 50 – 299 reserved for Grocery Department sales area inventory sections
  - Section number 50 will be used only for markdown/distressed/dissimilar or misplaced items displayed in the sales area.
  - Section numbers 300-500 reserved for grocery warehouse/back-up areas
  - Section 300 will be used only for damaged merchandise awaiting rework in the warehouse, i.e., salvage room.
- Are all sections within the correct footage IAW the PWS?
  - In the sales area, does a gondola run measure not less than 24 base feet nor more than 72 base feet, or to the end of the gondola run?
  - Sections may be less than 24 base feet only for difficult to count items, e.g., HBC, spices canned meats and fish, packaged lunchmeats.
  - Easier to count items may be assigned longer than 72 base feet sections, e.g., big paper products, canned fruits or vegetables, soups, etc.
  - Refrigerated storage areas, etc., a section will consist of a run of shelving or racks, or rows of pallets, stock trucks or carts, that measures not less than eight base feet nor more than 20 base feet.
  - In large open storage spaces, e.g., semi-perishable storage areas, etc., a section will consist of racks, or rows of pallets, stock trucks or carts, that measure not less than 40 base feet nor more than 100 base feet.
  - Was every effort made to keep like items together in the same inventory section?

- Was every effort made to avoid splitting like sections or starting or ending a section in the middle of a shelf?
- Does every section on the sales floor contain at a minimum $1000 of inventory?
- Are all sections number consecutively (one after the other)
- Were all grocery items that are sold in the produce department accounted for?
- Were all grocery items that are sold in the meat department accounted for, such as chicken, etc?
- Have all deli and bakery items in back up grocery coolers and freezers been marked "do not inventory"? (Except for DeCA owned and operated Deli-Bakery departments).
- Were price verifications completed for non-ESL stores?
- Does every product have a sign or label or have the price marked individually?
- Are supplies, shipments, etc., clearly identified with large signs stating "DO NOT INVENTORY"?
- Is the warehouse/backroom areas organized and clean?
- Are all prices posted with signs or labels for products in warehouse/back-up area?
- Are cases or pallets annotated only with tie, tier, unit count/case and unit price?
- Are all products clearly marked and visible?
- Is walk around clearance maintained for product stored on pallets?
- Does all weighed bulk items such as candy or coffee indicate weights and price per pound?
- Are all loose items in a partial case annotated only with count and unit price?
- Is every item priced (but totals not calculated or annotated)?
- Is the appropriate number of validated sections selected (based on total number of sections)?
    - Were the number of sections to validate determined using the automated Master Inventory Control spreadsheet from OneNet, Public Folders, Store Operations, Inventory Tools
- Are validation sections/sheets secured and not available to the inventory team (either the in-house team or contractor team)?
- Were high dollar sections such as health and beauty care, frozen seafood and vitamins chosen for validation sections?
- Were all outstanding VCMs checked for payment (and collections attempted, if applicable) at least 90 days prior to the inventory?
- Are all documents stamped "BEFORE INVENTORY" or "AFTER INVENTORY," as applicable?
- Is the VRGC checked monthly?
- Are all sections numbered according to the diagram?
- Is the entire store labeled with start/stop signs for each section?
- Is the sales floor blocked?
- Has all DSD vendors blocked their section on the sales floor, reduced back stock and removed all unsellable product?
- Does the salvage area have one total amount for Section 50 and Section 300?
- Do all the front end caps have the same section number?

- Do all the back end caps have the same section number?
- Are all the grocery items sold in the produce department together into one section?
- Are all the grocery items sold in the meat department together into one section?
- Did the RO ensure ESL's are not changed to UPC the evening of the AI?
- Was the contractor provided a copy of the current diagram?
- Was a walk through, using the inventory diagram, provided to the contractor?
- Was a briefing on safety and security concerns, location of restrooms, break rooms, and smoking areas provided?
- Did the contractor sign the 40-106 stating this briefing was conducted?
- Did the contractor mark the section "end" sign when they completed counting the section?

SUPPLIES AND FORMS NEEDED.

- Tape
- Labels and/or cards for price marking and annotating of unit packs
- Cards to number and annotate start and end of sections
- Pens, pencils, and markers
- Automated Master Inventory Control Form (OneNet, Public Folders, Store Operations, Inventory Tools)
- DeCAF 40-55, Inventory Control Log
- DeCAF 40-105-106, Dollar Value Inventory Certification

APPENDIX 9C: MANAGEMENT REVIEW CHECKLIST

The following checklist is to be used during a management review of out-of-variance AI results. Areas of concern will be identified accordingly and corrective measures can be addressed and implemented for corrective action.

MANAGEMENT REVIEW CHECHLIST STORE DIRECTOR	YES	NO	CORRECTIVE ACTION
Is the voucher register and general control (VRGC) audited and reviewed to ensure accuracy, as required?			
Is the Record of Operation, reconciled to the VRGC?			
Are all accounting documents, dollar values, and document numbers reconciled with the Summary Audit Log (SAL) within 24 hours?			
Are transactions from part one of the SAL posted to the VRGC within 24 hours?			
Are financial correction forms properly prepared?			
Are controls in place to identify the cause of errors and corrective action taken to prevent recurrence?			
Is a copy of the correction form attached to the original documentation?			
Are department managers informed of corrections as soon as they are posted?			
Are VCMs prepared in a timely manner for FDS?			
Are memo entries from the previous AI cleared/ paid?			
Are receipts in Direct Store Delivery-Single Delivery (DSD-S) finalized on the same day the items are received at the store and are DSD-S receipts transmitted daily?			
Is FDS reconciled promptly with the exception report to the order 856 report from the distributor?			
Are produce, meat, and deli/bakery records of operation being completed properly (where applicable)?			
Are separation of function techniques in use for receiving, stocking, and inventorying of cigarettes?			
Are meat and produce receipts, sales, and inventory balance reconciled with VRGC?			
Does each record of operation for meat and produce show the department being in tolerance?			
Does the store director review record of operations with meat and produce department managers before signing and are corrective actions taken, when necessary?			
Are shortages, overages, and mispicks reported to the distributor within the required timeframe?			
Are GPLD submissions filed correctly and are complete?			
Upon GPLD approval have monetary book adjustments been verified?			
Are receipts worked without invoices resulting in duplicate entries?			
Are vendor VCMs processed for product damaged by vendor stockers or outdated product applied, if applicable?			
Is quality assurance performed on receipts?			
Is the Commissary Receiving Tally Register (DeCAF 40-53) reviewed to ensure documents are received in the SDO?			

Have all required documents been scanned into DeCA Electronic Records Management and Archive System (DERMAS)?			
When a VCM is signed by management, is management hand-carrying the document to the SDO for processing?			
Was the DDR and Damage payouts prorated based on AI date and added to outstanding VCM's? Estimate based off of past roll up payouts.			

GENERAL MANAGEMENT	YES	NO	CORRECTIVE ACTION
Are interdepartmental and or store to store transfers being managed and documented?			
Is the store director reviewing the book inventory monthly?			
Are GPLDs submitted when required and in a timely manner?			
Are all management personnel in compliance with DeCA directives?			
Have personnel received all required training, to include department supervisors, QAEs, receivers, etc.?			
Are inventories conducted in accordance with DeCA directives?			
Is management present during monthly inventories in the meat and produce departments?			
Does the store director and store administrator make random visits at nights and on weekends, and document these visits?			
Does store director interface with the QAE during nonoperating hours?			
Is the store patrolled at night by store management?			
Is the Front End Audit Worksheet being completed daily by one of the top 2 managers and are indicators outside the allowable parameters thoroughly investigated?			

FRONT-END / SCANNING	YES	NO	CORRECTIVE ACTION
Are the weight parameters on high dollar or easily pilfered items (razors, cigarettes, etc.) set correctly to ensure only 1 item can be put into the bag when the item is scanned?			
Did the vendor provide sufficient number of coupons before linking and are linked coupons turned off on the applicable end date?			
Are cashiers being observed to ensure they are scanning all items?			
Are cashiers being properly trained on how to input UPCs or meat/deli/bakery/chicken, etc. labels that don't scan?			
Are the permissions for the SCO attendants limited to what they need to do their job?			
Is learn-not-on-file permissions turned off on all SCO attendant cards?			
Are only customer service supervisors given the permission on their SCO attendant card to change the security mode or do overrides?			
Are SCO attendants present and actively monitoring the SCOs at all times? (this means they should not be doing manager overrides (key flicks) at the inlanes, returning items to the freezer, etc.)			
Are cashiers & the SCO attendant capturing not-on-file items (item description, brand, and UPC) and turning in daily for the back office to research/input into the POS?			
Are SCO attendants reviewing security errors instead of just automatically clearing the SCO for the customer?			

	YES	NO	CORRECTIVE ACTION
Are SCO reports reviewed to ascertain items with weight parameter issues, identify excess manual entries, etc.?			
Have cashiers been trained to use the override key when there is a price discrepancy between shelf/sign & POS?			
Is the Price Override report in POS being reviewed & corrections made when necessary (either shelf label/sign or POS price)?			
Are registers properly prepped for Guard & Reserve sales to ensure all price updates and VPRs are in the system?			
Is there a clear procedure in place to record and research items which do not scan or scan incorrectly?			
If an item does not scan, does the cashier seek assistance/price check?			
Are shelf price / front-end system the same?			
Are cashiers observed for possible "sweethearting," coupon problems?			
Are produce prices changed daily or as necessary?			
Are cashiers periodically tested for produce identification?			
Do cashiers have current, well-maintained produce look-up codes?			
Are cashiers periodically tested for meat/grocery identification?			
Are procedures enforced for refunds, voids, dishonored checks, electronic benefit transfer, suspended and/or canceled transactions and tobacco refund receipts?			
Are EOM cashier reports compared against normalized amounts and high variances investigated, especially for keyed versus scanned items and coupon amounts?			
Have label batches been applied for CDC/KCS deliveries for received shipment (OCONUS)?			
Have OSA batches been applied once per month successfully and labels placed (OCONUS)?			
Are all registers blocked off while not in use and at time of closing?			

PRICING	YES	NO	CORRECTIVE ACTION
Are GS1 Data Bars on produce items (the "mini" barcodes) input into the POS so that the barcodes scan?			
Are the quantities required or weight required flags set for the appropriate items in the POS?			
Are all items sold by PLU in the lookup file on the registers and SCOs?			
Are exceptions to applying batches only executed with permission and following the procedures in the guidance letter DO 09-07?			
Are VPRs only started / stopped within normal store hours?			
Are VPR movements being validated in COMS?			
Are VCMs monitored? Are they assigned a number at the time they are given to the vendor? Are they returned with all required signatures? Are they correctly filled out with the correct reason for the VCM annotated? Are unpaid VCMs being forwarded to the RAB for collection?			
Is the COMS open ended VCM report monitored to ensure VCMs turned off correctly?			
Are items periodically checked in COMS to ensure they are in the correct department?			

	YES	NO	CORRECTIVE ACTION
Is the COMS Deleted Item Report being used to identify items that may need to be input back into the POS when they fall out 120 days after the HQ DeCA delete date?			
Are the DeCA assigned PLUs for Clearance Corner items input into the POS and used? (501 for edible and 502 for non-edible) Are movement reports for these PLUs monitored for excessive markdowns?			
Has the 100 percent price verification been completed this month (Non - ESL Stores) to ensure label prices match those in the POS? Were new labels printed and placed when there was a discrepancy?			
Has a 100 percent price verification of display sale signage been completed each week to ensure the sign prices match those in the POS? Were discrepancies researched and corrected (either new sign printed or price corrected in POS)?			
Were new price labels put up before store opening and were incorrect price labels removed before store opening? (Non-ESL Stores)			
Were "invalid items" researched and either added or deleted accordingly?			
Has the Commissary On-Line Products and Pricing System (COPPS) report been researched and corrections made after mid-month and end-of-month (EOM) price changes are applied?			
Were price changes applied within the time restraints set by DeCA?			
Were prices applied to the front-end on correct date?			
Were new items reviewed to ensure they were placed in the proper department?			
Are store personnel alert for common sense pricing errors?			
Are PLUs being reviewed for proper identification and location?			

RECEIVING	YES	NO	CORRECTIVE ACTION
Are DSD and DSD-S items in-checked by line item?			
Does management conduct a random 10% check on a weekly basis for all DSD vendors and properly document and file results?			
Do receivers ensure invoices match pricing and quantities received per DeCA orders?			
Has a DDR weekly validation been conducted on all FDS distributors, properly documented and sent to HQ's?			
Are mispicks returned to the distributor within the required timeframe in standard operating procedures (SOP)?			
Are overages, shortages, and mispicks properly documented and submitted?			
Is random sampling being performed and 100 percent counts being performed are in accordance with the SOP?			
Is merchandise received according to DeCAM 40-5.1, Chapter 3?			
Are vendor files in DSD handhelds being downloaded properly?			
Is there sufficient equipment (RF-HHT, printers) to perform functions?			
Do you keep track of hidden damage and ensure distributor picks up and pays VCM?			

Do you notify the vendor when prices on the invoice/delivery ticket do not match the DIBS price; ensure the DIBS price will be taken; and ensure the vendor files a pricing discrepancy claim with the RAB/Quality Assurance Branch?			
Receiving hours: Are specific hours set for DSD receiving?			
Are FDS distributors meeting SOP delivery times?			
Do shelf stocking; and receiving, stocking and handling contracts (RSH) contain receiving times consistent with FDS and DSD delivery times?			
Are nonauthorized DSD items refused?			
Are nonauthorized FDS items returned or new items processed?			

GROCERY	YES	NO	CORRECTIVE ACTION
Is transferred merchandise to other departments accounted for?			
Is distressed merchandise displayed and or marked down before expiration?			
Are CAOs actively involved in ordering special orders and display packages?			
Are DDR validations being performed and damaged merchandise tracked upon receipt?			
Is the warehouse receiving proper oversight?			
Is there a plan in effect to reduce backroom warehouse stock?			
Are overwrites being flagged by QAEs in CAO at night after shelf stocking is accomplished?			
Is a flagged item report being accomplished for overwrites and worked by CAO and shelf stocking contractor?			
Is display merchandise ordered to be received after sales prices are effective?			
Is there communication between the grocery manager and CAO/ Contractors and or MSC personnel?			
Are there programs in place to ensure an accurate BOH?			
Is there a plan for quick sale of excess merchandise?			
For FDS items, are procedures in place to identify and research nonauthorized items that were received?			
Is there a place designated in the receiving warehouse for nonauthorized items to be segregated in the receiving, storage, and handling area?			
Is the overwrite area monitored for excess?			
Are delivery tickets and invoice receipts kept in a locked area and are hand-carried to the Office of the Store Director at the end of each business day?			
Is the warehouse/backroom organized?			
Is the warehouse/backroom clean, sanitary, and free of infestation?			
Is damaged merchandise controlled?			
Is distributor damage being maintained in accordance with the SOP? Is distributor damage being identified and sent to HQ?			
Is saleable merchandise marked down and documented?			
Is the contract enforced if damage was caused by contractor personnel?			
Track and process salvage on a daily basis, ensure delivery salvage is separated from store salvage and processed accordingly.			

	YES	NO	CORRECTIVE ACTION
Is merchandise received out-of-date returned for credit?			
Is proper documentation obtained and merchandise checked before it leaves the warehouse areas; e.g., vendor go backs, vendor salvage, or special orders?			
Is merchandise donated by vendors to a food bank clearly identified and segregated from other items? Are the required forms for the donation available and completed properly? Are donations going to authorized food donation organization?			
When a vendor presents a VCM for specific quantities of merchandise, is the count verified by an employee or management?			
When a vendor with merchandise is leaving the store, is the VCM checked to ensure it is properly completed and signed?			
Are Job Aids easily accessible for store personnel?			

SECURITY	YES	NO	CORRECTIVE ACTION
Is an effective key and lock control / procedure established and enforced and are internal security controls maintained over all entrances/exits; especially during nonoperating hours?			
Are all lockable doors kept locked and controlled?			
Is the visitor badge program monitored and maintained?			
Are ID badges/name tags worn by all store employees, contractor personnel and baggers that enter the store?			
Has an unannounced package/parcel inspection for employees/contractors/baggers exiting the facility been established and is it being conducted?			
Are employee entrances/exits/parking controlled?			
Are locker inspections being conducted?			
Are there employees who have too many visitors?			
Are procedures in place for sales to employees who are authorized patrons?			
Are employee refunds approved by management?			
Do food purchases during duty hours have a receipt attached?			
Do cashiers keep personal belongings in their lockers and not at the registers?			
Are dumpsters checked?			
Are any areas of the store vulnerable to intrusion?			
Are alarms installed (hard-wired) to exterior doors with breaker bars?			
Are all tobacco products secured in the warehouse?			
Are procedures in place to ensure all merchandise leaving the store (e.g., VCMs) is properly accounted for?			
Are procedures in place to control grazing?			
Are boxes flattened prior to leaving the store?			
Is product moved away from all exit doors? Are DSD vendors checked when exiting the commissary to ensure proper credit was received?			
Is product left outside after operating hours secured with tarps, rope, etc.?			

GLOSSARY

G.1. ACRONYMS

AAFES	Army and Air Force Exchange Service
AI	accountability inventory
AVV	allowable validation variance
BOH	balance-on-hand
CA	commercial activity
CAO	computer assisted ordering/orders
CDC	central distribution centers
CMPP	Central Meat Processing Plant
COPPS	Commissary Online Product and Pricing System
CPP	Centralized Pricing Program (Meat)
DeCAD	Defense Commissary Agency Directive
DeCAF	Defense Commissary Agency Form
DIBS	DeCA's interactive business system
DDR	Distributor Discrepancy Rate
DSD	direct store delivery
DSD-S	direct store delivery-single delivery
EOM	end of month
FDS	Frequent Delivery System
GPLD	government property lost or damage
HQ	headquarters
IAW	in accordance with
IMC	inventory management control
iLPN	inbound license plate number
LPN	license plate number
MHE	material handling equipment
ORAB	Overseas Resale Accounting Branch (Europe and Pacific)
PIX	perpetual inventory
PLU	price look up
POC	point of contact
PWS	performance work statement

QAE	quality assurance evaluator
RAB	Resale Accounting Branch
RF	radio frequency
RF-HHT	radio frequency hand-held terminals
RO	responsible officer
SAL	summary audit log
SOP	Standard Operating Procedure
STANFINS	Standard Finance System
TBF	to be filled
TBP	to be placed
UI	user interface
UPC	universal product code
VCM	vendor credit memorandums
VRGC	voucher register and general control
WM	warehouse management
WMS	warehouse management system

G.2. DEFINITIONS.

accountable inventory (AI). A physical, wall-to-wall, dollar value inventory of all resale merchandise which establishes accountability. Only results of an AI are used as a basis for computing account status and for adjusting financial records.

allowable validation variance (AVV). The percentage difference between physical AI (first) counts and validation (second) counts, if not exceeded, will result in acceptance of inventory counts as accurate.

authorized variance. The range in which account status, indicated by comparison of book inventory value and physical inventory value, may vary from zero. The rationale for permitting these variances is to allow some flexibility in operation and to account for unidentified costs of doing business. Usually described as percentage gain or loss compared to total sales recorded in an account, and expressed mathematically as +/-x%.

balance-on-hand (BOH). Line item inventory procedures are normally used to conduct reorder inventories or to adjust BOH. CDCs maintaining BOH information for items carried typically do line item AIs, both to determine dollar value of inventory and to verify/adjust BOH information.

book inventory. The dollar value of assets shown in financial records, and based on debits and credits derived from day-to-day documentation of receipts, sales, transfers, and other transactions.

bulk items. Items not sold in standard count/weight packages, and for which a patron may determine the exact amount of the item he or she wishes to purchase. Some examples of bulk items are candy, coffee, or cookies, sold by the pound or by the piece.

collections of dissimilar items; e.g., misplaced or damaged item. Because patrons sometime select items and do not return these items to the shelf or display locations designated for these items, commissary personnel have to collect these items and eventually return these items to proper locations. To the extent the Government has such collections of dissimilar items on hand at time of inventory, the Government is responsible for determining the total value of collected items, and for providing these values to the contractor. Additionally, the Government has to include these collections in section 50 or 300 of DeCAF 40-55.

consecutively. Means the Government will not skip a number or numbers when assigning section numbers, and also the Government will, to the extent feasible, identify sections adjacent or physically close to one another in numerical sequence.

contract inventory. Physical, wall-to-wall, dollar value AI, management inventory performed by commercial firms working within the terms of a contract PWS and in conjunction with DeCA management personnel. In such inventories, the Government is also required to conform to the terms of the PWS.

dollar/physical value inventory. A physical inventory performed to determine only the dollar value of assets, with no concern for recording the types of items being counted/valued or for finding item balances on hand.

exception. Situation in which the value of a contractor's initial counts of a section and the contractor's validation (second) count of a section differ by more than a variance established by the Government. In such cases, the Government charges the contractor with an exception, and annotates "EX" opposite the appropriate section number on DeCAF 40-55.

error. Percentage difference between a reconciliation (third) count/valuation and an inventory (first) count/valuation exceeds the AVV.

freezing or frozen. Freezing the warehouse in DIBS locks all processes except the physical inventory process. Users cannot access the system except under physical inventory in DIBS.

grocery department, meat department, and produce department. Designations the Government uses to classify and account for items sold in commissaries. Items classified as meat are principally fresh and smoked beef, lamb, pork, and veal processed into retail cuts in the commissary. Items classified as produce are principally fresh fruits, vegetables, and plants. All items, except those classified as meat and produce items, are classified as grocery items. Grocery items include some types of meat, such as packaged lunchmeats, bacon, sausage, canned hams, and poultry products.

gross negligence. An extreme departure from the course of action to be expected of a reasonably prudent person, all circumstances being considered. The act is characterized by a reckless, deliberate, or wanton disregard of the foreseeable consequences.

in-house inventory. A physical inventory performed by DeCA personnel, who are divided into count and validation teams, and overseen by DeCA management personnel.

initial count. Contractor's first count/valuation of a section. Unless validation of a section count/valuation calls the initial count into question, the initial count determines the value of a section reported in total inventory value.

Inventory Control Log (DeCAF 40-55). The administrative mechanism used by the Government and contractor to manage the inventory process. The Government and contractor both record section numbers on their respective log. As the contractor provides initial count, validation count, or reconciliation count section values to the Government, the Government records these section values in the appropriate columns of this log, performs computations relating to section values as necessary, records differences in section dollar values and percentage differences in the appropriate columns of this log, and records any exception the Government charges to the contractor in this log. This log is the official detailed record of inventory value.

inventory team. A group of personnel who physically count items (and sometimes conduct validation counts) during a physical inventory. Depending on inventory method (i.e., contract or in-house), an inventory team may consist of contract personnel or DeCA personnel.

license plate number (LPN). A unique number (typically barcode) assigned to any arbitrary group of inventory. LPNs enable users to perform complex inventory transactions via a single barcode scan, improving efficiency and accuracy.

management inventories. A physical inventory (usually dollar value only) performed for a variety of reasons, none of which entail using the results of the inventory as a basis for the adjustment of financial records.

mass display area, end cap, rack, front-end merchandisers, and shippers. Various types of displays/display areas found in a commissary. These are considered to be off-shelf displays, as opposed to items displayed on shelving, bordering the aisles in a commissary. To the extent these various types of off shelf displays contains merchandise the contractor is required to count, the Government has to include these off shelf displays in sections, assign section numbers, etc., as the Government is responsible for doing for any other merchandise the contractor is required to count during inventory.

material handling equipment (MHE). Manually operated or powered equipment (e.g., forklifts, pallet jacks) the Government provides and operates to assist the contractor or DeCA employee during conduct of inventory.

performance date. The date specified in the task order on which the contractor has agreed to conduct inventory, and on which date the Government will be prepared for inventory as described in the PWS.

performance time. The period of time specified in the task order during which the contractor has agreed to conduct and complete inventory. The contractor is required to be present at the site of the inventory and ready to perform at the specified start time. The contractor is required to have completed inventory no later than the specified end time.

reconciliation counts. A count/valuation of items performed if the AVV for differences for a section between inventory (first) counts/valuations and validation (second) counts/valuations has been exceeded. This is only conducted if the overall inventory results are determined to be valid. Members of inventory teams and validation teams usually perform reconciliation counts/valuations jointly, and the resulting joint count/valuation is mutually agreed upon which will be officially accepted as the inventory value. The results of reconciliation (third) counts/valuations are also compared with inventory (first) counts/valuations to determine whether AVV has been exceeded, in which case the reconciliation count is used to calculate the overall inventory dollar value.

sales area. Portion of a commissary in which items are displayed principally by individual units readily available for sale to patrons. A commissary may also have some items in case lot quantities in the sales area.

scandown. The ability of industry representatives to reduce the sale price of products in the commissaries utilizing a centralized procedure at the DeCA HQ level. For example, specified products can be reduced in price in a select group of stores, zones, or area using only one VCM paid by check or credit card. The number of items sold for a specified sales period, such as three days, will be captured at the DeCA HQ level, using the data warehouse scanning numbers drawn from each store's cash register system.

section. Physical division of items the contractor is required to count/value in which Government uses to manage the inventory process.

section number. The number the Government uses to identify the various physical divisions of items to be counted/valued. The ranges of section numbers the Government will use are specified in the PWS.

tobacco products. Includes cigarettes, cigars, chewing tobacco, and snuff products. Tobacco products are classified as grocery department items, but the contractor is not required to count/value tobacco products during inventory. The term "tobacco products" DOES NOT include smoking cessation items, such as Nicorette; nor does it include items such as cigarette lighters or matches. Smoking cessation items and such items as cigarette lighters and matches are included as part of the grocery department inventory.

validation. The process by which inventory counts, performed by either contract or in-house inventory teams, are verified as correct, within the range of a pre-established AVV.

validation (second) count. Contractor's count/valuation of a validation section, witnessed by a Government observer which is compared to the initial contractor count of the section to assess the accuracy of the contractor's count/valuation.

validation section. Section selected by the Government for which the contractor is required to do a second count/valuation to compare to the initial contractor count of the section to assess the accuracy of the contractor's count/valuation.

validation team. A group of personnel who physically count items to validate an inventory count/value of the same items to verify the accuracy.

variance. Percentage of difference between a contractor's initial count/valuation of a section and validation count/valuation of a section the Government allows before charging the contractor with an exception.

warehouse/backup storage. Portion/those portions of a commissary in which items are held principally in case lot quantities not readily available for sale to patrons, although a commissary may also have some items in individual units in the warehouse/backup storage area. Subareas of the warehouse/backup storage area may include refrigerated or nonrefrigerated storage areas, a salvage area in which a commissary holds/processes damaged items, a sensitive item control area in which a commissary holds high value items, or other areas used for processing/preparation of items for sale.

REFERENCES

DeCA Directive 40-3, "Meat Department," March 27, 2013

DeCA Directive 40-4, "Produce Operating Department," September 12, 2012

DeCA Manual 40-4.1 "Produce Operating Department Manual," September 12, 2012

DeCA Directive 40-15, "Managing, Accounting, and Reporting of Government Property," August 28, 2007, as amended

DeCA Directive 40-21, "Accountability for Commissary Resale Merchandise," May 12, 2017

DeCA Directive 40-23, "Central Distribution Center Procedures," March 21, 2008, as amended

DeCA Directive 40-28, "Specialty Department Operations," October 24, 2014

DeCA Directive 70-2, "Internal Control Program," December 17, 2007

DeCA Directive 70-6, "Financial Procedures for the Accounts Control Section and the Office of the Commissary Officer," January 1999

DeCA Directive 70-16, "Financial Management for Analysis and Reconciliation Business Unit," September 30, 1998

DoD Directive 5105.55, "Defense Commissary Agency (DeCA)," March 12, 2008