



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

3500 DEFENSE PENTAGON
WASHINGTON, DC 20301-3500

MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE

SUBJECT: Approved Defense Logistics Management Standards Change 1411A, Materiel Returns
Without Original Purchase Orders (Supply Discrepancy Reporting)

The Defense Logistics Management Standards change, as outlined in the attachment, is approved for implementation.

Addressees may direct questions to Ben Breen, e-mail: DEDSO.SDR@dla.mil. Others must contact their designated Process Review Committee representative available at <https://www.dla.mil/Defense-Data-Standards/Committees/Contacts/>.

Leigh E. Method, SES
Deputy Assistant Secretary of Defense
for Logistics

Attachments:
As stated

cc:
OUSD(C)
DLA J6DS

Approved Defense Logistics Management Standards Change 1411A Materiel Returns Without Original Purchase Orders

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION:

a. **Technical POC:** Defense Logistics Agency (DLA), Logistics Operations, Steven Nace, 571-477-4194, Steven.Nace@dla.mil

b. **Technical POC:** DLA, Finance, Justin Morrison, 614-692-8858, Justin.Morrison@dla.mil

2. REASON FOR CHANGE:

a. **Bottom Line Up-Front:** This change provides financially audit compliant procedures for handling customer materiel return requests and the disposal of non-conforming items investigated for quality concerns when the original purchase order is unknown. There were no significant changes to this document after staffing.

b. Background:

(1) With the implementation of the credit/replacement changes for Supply Discrepancy Report (SDR) and Product Quality Deficiency Report (PQDR) in Approved Defense Logistics Management Standards (DLMS) Change (ADC) 1411, DLA has encountered unforeseen requests by reporting customers. In some rare instances, upon being informed that they will not be provided credit or replacement of SDR/PQDR related materiel when an original requisition document number cannot be obtained, some customers have requested that DLA return materiel back to the reporting activity at the completion of the investigation. The requests have prompted further questions within DLA regarding transportation costs, and in some cases, disposal costs. Over the last few months DLA has worked with the DoD Components to determine if revisions to the DLMS are required.

(2) After consulting representatives from the Office of the Under Secretary of Defense Comptroller (OUSD(C)), Office of the Under Secretary of Defense Acquisition & Sustainment (OUSD(A&S)), Defense Enterprise Data Standards Office (DEDSO) and DLA Finance, it was determined that Action Activities would become non-audit compliant with the Treasury Financial Manual if funding either the transportation or disposal of materiel that could not be traced back to an original purchase order.

3. CHANGE IN DETAIL:

a. **Technical Details:** SDR and PQDR Originator Activities must supply a constructed document number when the original document number is unknown per Reference 10.a. In situations where Originator Activity is requested to return materiel associated with the

constructed document number to a storage activity or contractor to investigate discrepancies, the Originating Activity must inform the Action Activity at the time of request if they want the materiel returned at the completion of the investigation. Due to the inability to link a constructed document number to a purchase order with the Action Activity, the use of Action Activity funds to pay for return shipping to the Originating Activity would not be audit compliant.

b. Revised Transaction Flow: Not applicable.

4. IMPLEMENTATION TARGET: No mandatory programming modifications are required of Automated Information Systems (AIS) as part of this change. The change will be implemented immediately upon approval.

5. TECHNICAL IMPACT:

a. Additions or Changes to Data Elements: No changes required.

b. Automated Information Systems (AIS): No impact.

c. Defense Automatic Addressing System (DAAS): No impact.

6. PUBLICATION/POLICY IMPACT:

a. Defense Logistics Manual (DLM) 4000.25:

(1) DLM 4000.25, Volume 2, Chapter 17, Supply Discrepancy Reporting as shown in enclosure 1.

(2) DLM 4000.25, Volume 2, Chapter 24, Product Quality Deficiency Report as shown in enclosure 1.

(3) DLM 4000.25, Volume 2, Chapter 11, Materiel Returns, Redistribution of Assets, Directed Discrepant/Deficient Materiel Returns and Retrograde Returns as shown in enclosure 1.

(4) DLM 4000.25, Volume 4, Chapter 4, Adjustment Procedures as shown in enclosure 2.

b. Non-DLM 4000.25 Publications:

(1) DLA Instruction 4155.28, Enterprise Product Quality Deficiency Report (PQDR) Investigation and Restitution Process, March 11, 2022

(2) DLA Enterprise Standard Operating Procedure (eSOP) 4155.28-001, Product Quality Deficiency Report (PQDR) Processing, April 21, 2023

(3) DLA eSOP 4155.28-003, Product Quality Deficiency Report (PQDR) Exhibit

Return, February 10, 2021

(4) DLA eSOP 4145.04-001, DLA Discrepancy Reporting Program – Supply Discrepancy Reports (SDRs) and Storage Quality Control Reports (SQCRs), November 8, 2021

(5) DLA eSOP 4145.04-002, QUALITY NOTIFICATION (QN) SUPPLY DISCREPANCY REPORT (SDR), June 1, 2020

7. ASSUMPTIONS: While there are no mandatory system programming requirements in support of this change, components may choose to program assistive functionality within any applicable AIS.

8. FINANCIAL IMPROVEMENT AND AUDIT REMEDIATION (FIAR), MATERIAL WEAKNESS, AND AUDIT-RELATED INFORMATION: There are no known formal Notices of Findings and Recommendations (NFRs) for the specific scenarios described in this change. However, the process outlined in this document has been developed specifically to ensure that DoD's compliance with FIAR and the Treasury Financial Manual.

a. **Notices of Findings and Recommendations (NFR):** Not applicable.

b. **Corrective Action Plan (CAP) References:** Not applicable.

c. **Other FIAR, Material Weakness, and Audit-Related Information:** Not applicable.

9. END-TO-END TESTING REQUIREMENTS: Not applicable.

10. REFERENCES:

a. Approved DLMS Change 1411, Discontinue Credit/Replacement for Constructed Document Numbers, April 1, 2022

b. DLM 4000.25, Volume 2, Chapter 17, Supply Discrepancy Reporting

c. DLM 4000.25, Volume 2, Chapter 24, Product Quality Deficiency Report Program

d. DLM 4000.25, Volume 2, Chapter 11, Materiel Returns, Redistribution of Assets, Directed Discrepant/Deficient Materiel Returns and Retrograde Returns

e. DLM 4000.25, Volume 4, Chapter 4, Adjustment Procedures

11. PROPOSED DLMS CHANGE (PDC) 1411A RESPONSE/COMMENT RESOLUTION:

	Component	Response/Comment	Disposition
1.	ODASD (Logistics)	No response.	As noted by signed PDC.
2.	DAAS	Concur without Comment.	As noted.
3.	Army	No response.	DEDSO Response: No response represents concurrence per PDC 1411A change memo.
4.	Navy	Concur without Comment.	As noted.
5.	Marine Corps	No response.	DEDSO Response: No response represents concurrence per PDC 1411A change memo.
6.	Air Force	Concur without Comment.	As noted.
7.	DLA	Concur without Comment.	As noted.
8.	USTRANSCOM	Abstain no impact to USTRANCOM	As noted.

Enclosure 1

Revised DLM 4000.25, Volume 2, Supply Standards and Procedures

Make the following changes to Volume 2. Additions are shown in **red bold italics**. Deletions are shown by double strikethrough text.

A. Chapter 11, Materiel Returns, Redistribution of Assets, Directed Discrepant/Deficient Materiel Returns and Retrograde Returns

C11.1.6. Responsibility for Costs Incurred for Returned Materiel.

U.S. Government activities returning materiel are cautioned that the returning activity may be held responsible for costs incurred by the receiving activity when discrepancies are reported using Supply Discrepancy Reporting (SDR) ~~procedures~~ (Chapter 17) **and Product Quality Deficiency Reporting (PQDR) (Chapter 24) procedures**. This includes returns made in violation of prescribed materiel returns procedures, returns exhibiting packaging discrepancies, and returns of reparable items unaccompanied by required technical data. Recoupment action by the ICP against the initiator may include all cost reimbursable actions performed by the receiving activity (e.g., **return shipping costs**, repackaging, marking, and disposal).

B. Chapter 17, Supply Discrepancy Reporting

(Preceding text not shown)

C17.3.4. Materiel Returns.

(Intervening text not shown)

C17.3.4.6. Requests to Returning Materiel Upon Completion of Investigations. The Originating Activity must inform the Action Activity at the time of submission whether they want the materiel returned at the completion of the investigation when submitting a SDR using a constructed requisition number. In situations where credit or replacement of materiel is not authorized due to the inability to locate the original requisition document, the Originating Activity will be liable for the return transportation costs.

C. Chapter 24, Product Quality Deficiency Report Supply Discrepancy Reporting

Ch24. Exhibit Request.

C24.4.2.5.2. Requests to Returning Materiel Upon Completion of Investigations. The Originating Point must inform the Action Point at the time of submission whether they want the materiel returned at the completion of the investigation when submitting a PQDR using a constructed requisition number. In situations where credit or replacement of materiel is not authorized due to the

inability to locate the original requisition document, the Originating Point will be liable for the return transportation costs.

Enclosure 2

Revised DLM 4000.25, Volume 4, Military Standard Billing System - Finance

Make the following changes to Volume 4, Chapter 4. Additions are shown in *red bold italics*. Deletions are shown by double strikethrough text.

C4.10.2. Other Discrepancy Adjustment Rules

C4.10.2.1. Adjusting Discrepancy Reports. Requests for adjustments related to TDRs will be submitted only when the adjustment is not received, and more than 60 calendar days have elapsed since the report was filed. Requests related to PQDRs, SDRs, and SQCRs should be timely, but must not be submitted until a minimum of 60 calendar days have elapsed since receiving notification that the discrepancy is validated (i.e., that an adjustment is approved). When the promised adjustment for a discrepancy is contingent upon the return of materiel, the request will not be submitted until a minimum of 60 calendar days have elapsed since shipping the materiel with additional allowance for transportation time to the shipping activity. When a reply to a discrepancy report is not received, follow up as prescribed by ~~DLM~~ **DLM 4000.25**, Volume 2, Chapter 17, ~~or 21~~, **or 24**, as applicable.