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IN REPLY  
REFER TO J-33

PROCLTR 04- 01

FEB 02 2004

MEMORANDUM FOR PROCLTR DISTRIBUTION LIST

**SUBJECT:** Defense Logistics Acquisition Directive (DLAD) 4105.1, Section 11.402, Guidance on Factors to Consider in Establishing Delivery or Performance Schedules for Planned Direct Vendor Delivery (DVD) for Hardware Items

This PROCLTR replaces and cancels PROCLTR 03-07. The contents of PROCLTR 03-07 are included in this new PROCLTR and have been modified to reflect the changes in the new DOD Supply Chain Materiel Management Regulation DOD 4140.1-R dated May 23, 2003 (<http://www.dtic.mil/whs/directives/corres/html/41401r.htm>). Appendix 8 of the regulation changes the reference to time that should elapse during supply system pipeline segments from Uniform Materiel Movement and Issue Priority System (UMMIPS) to Time-Definite Delivery (TDD) standards. The total order to receipt times (TORT) for all categories of requisitions have changed and must be reviewed. This PROCLTR also includes additional guidance and DLAD coverage in the area of post-award and use of the Distribution Planning and Management System (DPMS).

The purpose of this PROCLTR is to update DLAD coverage regarding the planning process for determining when to use DVD to meet customer requirements and to require compliance with the TDD standards.

This coverage implements the Defense Logistics Agency (DLA) Director's memorandum on Planned Direct Vendor Delivery Guidance for Hardware Items, dated November 22, 2002. DLAD 4105.1, Section 11.402 (attachment) incorporates new coverage on TDD standards for DVD contracts. Subsection 11.402-90 provides TDD standards, subsection 11.402-91 provides guidance on appropriate exclusions from applying TDD standards, subsection 11.402-92 provides guidance on materiel management reviews for DVD items, subsection 11.402-93 provides guidance on DVD shipments in the DOD organic distribution system, and subsection 11.402-04 provides guidance on post-award monitoring.

Agency policy requires delivery terms that meet TDD standards for requisition processing as promulgated in DOD Supply Chain Materiel Management Regulation DOD 4140.1-R, Appendix 8. TDD provides our customers with defined times for requisition processing and measures materiel movement from requisition submission to materiel receipt. To ensure maximum support for critical warfighter missions, planned DVD contract deliveries must adhere to TDD. Any planned DVD Long Term Contract (LTC) that fails to meet an approved exception specified in the November 22, 2002, memorandum or meet required TDD timeframes cannot continue unless fully justified and approved.

The Federal Acquisition Regulation, Subsection 11.402(a), recognizes the need for making tradeoffs that balance delivery needs with other elements. The regulation clearly identifies factors that shall be considered when establishing delivery schedules in supply or service contracts such as: urgency of need; industry practices; market conditions; and transportation/production time.



Although an instant reaction to correcting DVD contracts that do not meet TDD standards may be to move all DVD supported items to stock, such action is overly simplistic and can result in unnecessary inventory costs. Thus, this is not the absolute solution. The true solution to assure that customers receive what they need, when they need it, while lowering total cost, is to find the right mix of DVD and stock support.

The right mix should be determined on a case-by-case basis during the acquisition planning process through discussions with customers and vendors. The determination should also be supported by an accurate cost/benefit analysis. Tools that will be used to assist in this decision making process include Business Case Analyses (BCA) in conjunction with the Vendor Stock Retention Model (VSRM). The VSRM has been developed as a tool for cost/price comparisons and must be used in relevant analyses. In certain cases, the inclusion of a "desired and required time of delivery" provision may be helpful in determining the costs as well as the vendors' ability to deliver quickly. Consideration must also be given to other factors including, but not limited to, those in the Federal Acquisition Regulation (FAR) reference listed above, in conjunction with the VSRM when developing the required BCA. For example, there are suppliers that consistently deliver a high percentage of their contract line items rapidly; yet, delivery times may slightly exceed TDD standards. If the additional delivery time results in reduced prices, improved supply availability, and meets the intent of FAR guidance stated above, the situation may be appropriate for DVD. In such cases, the analysis and determination should be well documented.

Contractor compliance with the contract delivery schedule is essential to ensure that customer requirements are met. Acquisition personnel shall closely monitor contractor performance to ensure that contractors are adhering to required contract delivery terms and conditions. Appropriate contract administration actions shall be taken if contract delinquency occurs. These actions are discussed in Subsection 11.402-94.

Defense Supply Center Commanders are required to track progress to insure that planned DVD contract deliveries comply with TDD standards. The following DVD metrics will be tracked and reported to J-3 on a quarterly basis:

- Plan of actions & milestones - this metric will monitor the progress being made in reviewing existing planned DVD contracts to bring them into compliance with TDD standards on a contract and national stock number (NSN) basis. It will also record the actions resulting from this review. Headquarters, Defense Logistics Agency (DLA) J-3 will continue to monitor this metric until all existing planned DVD contracts are reviewed, renegotiated, recompeted, and/or modified as appropriate.
- Percent of planned DVD meeting TDD standards - this metric will monitor planned DVD requisitions and the percent meeting TDD standards on a quarterly basis. Data will be obtained from the Logistics Metrics Analysis Reporting System (LMARS).
- Shift from planned DVD to stock - this metric will monitor the number/value of contracts and NSNs that change from DVD support to stock support.
- Contractor delivery performance on planned DVD contracts - this metric will track delivery performance for planned DVD contracts. We recognize that the Distribution Planning and Management System (DPMS) program implementation full operational capability will be achieved

incrementally. However, DPMS shall be used for tracking delivery performance as it becomes available. Centers are authorized to continue using current delivery performance tracking systems until business systems modernization changes are finalized.

- This metric can also be obtained by using the Procurement History Data Mart (PHDM). The PHDM System (<http://phdm.ctcgsc.org/dispatch/show.home>) provides access to DLA Procurement History Data and allows DLA managers and analysts to create calculations, views and reports and to perform analyses that otherwise would require significant time for each case.
- Centers will be required to report the results and actions taken to correct contracts with vendors that do not meet TDD standards starting with the first J-3 quarterly review in calendar year 2004. A list of vendors that have excessively high average vendor processing times for DVD transactions over an extended period will be provided by J-33.

The Director's memorandum on Planned Direct Vendor Delivery Guidance for Hardware Items, dated November 22, 2002, also stated that the policy of the Agency is that DVD arrangements fully support Agency asset visibility objectives and initiatives. In-transit visibility (ITV), the ability to track the identity, status, and location of materiel from origin to destination, is a component of Total Asset Visibility. To comply with this requirement, the Agency is in the process of implementing the Distribution Planning and Management System (DPMS). DPMS is an enterprise wide distribution web-based system for DLA that provides efficient movement of material to the warfighter directly from vendors and distribution centers. An additional goal of DPMS will be to utilize the system for post-award monitoring.

We recognize that several of our order processing systems currently use Issue Priority Group (IPG) codes in assigning delivery dates - not the Category Requisitions (Categories 1-3) referenced in DOD 4140.1-R. This condition will be corrected through our business system modernization efforts. Due to anticipated time and costs required to update current systems, centers are authorized to continue using IPG codes in assigning delivery dates until business system modernization changes are finalized.

Compliance with this PROCLTR is effective immediately. This PROCLTR expires upon incorporation of the attached coverage into the DLAD. The point of contact for this PROCLTR is Mr. Miguel A. Zayas at (703) 767-1369.

  
CLAUDIA S. KNOTT  
Senior Procurement Executive

Attachment

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SUBPART 11.4 - DELIVERY OR PERFORMANCE SCHEDULES

11.401 General.

Absent locally coordinated operating procedures, contracting personnel will not change production lead-times or customer required delivery dates without prior coordination with the inventory manager and industrial specialist.

11.401-90 Extended contracting delays.

The contracting office shall immediately notify the item manager when extended delays in contract award are anticipated and, when possible, also advise of the length of delay in the proposed delivery schedule.

11.402 Factors to consider in establishing schedules

Contracting officers shall ensure that delivery or performance schedules are realistic and meet customer requirements. When establishing a contract or delivery schedule, consideration shall be given to applicable factors in accordance with FAR 11.402(a) which includes urgency of need, industry standards, market conditions, and transportation time.

11.402-90 Time Definite Delivery (TDD) Standards

Contracting officers must ensure that planned Direct Vendor Delivery (DVD) contracts comply with TDD standards for requisition processing to the maximum extent practicable as promulgated in DoD Materiel Management Regulation DOD 4140.1-R, Appendix 8 (<http://www.dtic.mil/whs/directives/corres/html/41401r.htm>). When cost considerations for obtaining TDD timeframes prove not to be justifiable or are impractical, contracting officers should consider other alternatives such as: 1) obtain and use DVD support for only those lower requisition priorities for which TDD can be met and use stock support for high priority requisitions; 2) contract for stock only. These business decisions must be fully supported by an economic analysis, Business Case Analysis or Vendor Stock Retention model analysis, where applicable, in accordance with PROCLTR 03-01.

In certain cases, the inclusion of a "desired and required time of delivery" provision may be helpful in determining the costs as well as the vendors' ability to deliver rapidly. Consideration must be given to other factors including, but not limited to, those in the FAR reference listed above, in conjunction with the VSRM when developing the required BCA. For example, there are suppliers that consistently deliver a high percentage of their contract line items rapidly; yet, delivery may exceed TDD standards. If the additional time results in reduced prices and improved supply availability and readiness, this may be a situation where DVD is appropriate. In such cases, the analysis and determination should be well documented.

11.402-91 Appropriate exclusions for applying TDD standards.

There are legitimate exceptions to the policy on TDD standards for DVD contracts. Contracting officers should recognize the following as examples of appropriate exclusions from TDD standards:

- 1) Planned DVD contracts for kits used by maintenance depots.
- 2) Planned DVD items for commercially available items (household/general purpose items only) where the vendor can support a contract delivery date not more than 3 days greater than the TDD Total Order-to-Receipt Time (TORT);
- 3) Planned DVD contracts for a specific customer requiring support that is less demanding than the TDD standards;
- 4) Planned DVD contracts for part numbered items (those with no NSN).
- 5) DVD contracts/orders for non-stocked items (Acquisition Advice Code (AAC) "J" which is not stocked, centrally procured non-stocked items). Although TDD guidelines do not apply to this type of support, expedited delivery is still a critical requirement for non-stocked high priority requisitions. DVD arrangements must recognize urgency of need, item criticality, and weapon system coding, if applicable. Both Administrative Lead Time and Procurement Lead Time must be minimized.

The above exclusions do not apply to support for items assigned AAC D (DOD Integrated Materiel-Manager (IMM) stocked and issued) and AAC Z (Insurance/Numeric Stockage Objective item). These items must meet appropriate TDD pipeline standards. DLA customers will expect support for planned DVDs as quickly as they are supported from stock. The TDD pipeline standards are DoD

Components targets that shall be met or improved upon whenever physically and economically feasible. More stringent time standards may be adopted for individual pipeline segments controlled by DLA when subsequent savings in time and improved service can be achieved.

It is recognized that several Defense Supply Centers' (DSC) order processing systems currently use Issue Priority Group (IPG) codes in assigning delivery dates - not category requisitions (categories 1-3) referenced in DoD 4140.1-R. We expect that this condition will be corrected through business system modernization efforts. Due to anticipated time and costs required to update current systems, DSCs are authorized to continue using IPG codes in assigning delivery dates until business system modernization changes are finalized.

#### 11.402-92 Materiel Management review of DVD items

Contracting officers should coordinate with item managers (IM) and ensure that DVD items are assigned the appropriate Acquisition Advice Code (AAC "H"). Item managers shall also minimize the inclusion of Manager Review Codes (MRCs) to only those that are required (unless specifically approved by the head of the applicable Business Unit/Product Center/Application Group) to ensure the delivery order flows uninterrupted through the automated system. If the software at a DSC requires the inclusion of MRCs, then the item manager review and reentry of customer orders will be completed in one day. IMs shall ensure that item notes are included for all NSNs assigned to a LTC having contract delivery time frames that exceed TDD standards or for those contracts that are exempted from DVD TDD requirements.

#### 11.402-93 DVD shipments in the DOD organic distribution system

The policy of this agency is that DVD arrangements will fully support our asset visibility objectives and initiatives. DVD shipments must meet requirements of the Defense Transportation System (DTS) when those commercial shipments have to be diverted through DTS entry points. To support in transit visibility, including the customer's ability to track and trace DVD shipments, DVD contracts shall comply with guidance provided in PROCLTR 03-20 (MIL-STD-129P coverage). To simplify vendor compliance with this requirement, vendors shall be strongly encouraged to implement the Agency's automated tool, the Distribution Planning and Management System (DPMS) on a voluntary basis. As DPMS matures, the Agency goal will be to implement DPMS across the board to all vendors.

#### 11.402-94 DVD post-award monitoring and correction actions

As stated in FAR 42.1103, the contractor is responsible for timely contract performance. Contracting officers will maintain surveillance of contractor performance as necessary to protect the interest of the Government. Contracting officers must aggressively monitor DVD contractor performance and take appropriate and immediate action to correct contracts that are not complying with TDD standards. Appropriate contract administration actions shall be taken in accordance with FAR 42.302 and 43.204, if contract delinquency occurs. Item managers (IM) shall work in collaboration with contracting officers to monitor DVD contract delivery dates. The Long Term Contract (LTC) database shall be used as a tool to monitor and obtain visibility of expiring and/or expired contract delivery dates (CDD). The Procurement History Data Mart (PHDM) and DPMS may also be used to track and monitor contractor delivery performance.