**OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE**
3500 DEFENSE PENTAGON
WASHINGTON, DC 20301-3500

SUSTAINMENT

MEMORANDUM FOR SUPPLY DISCREPANCY REPORTING PROCESS REVIEW
COMMITTEE

SUBJECT: Approved Defense Logistics Management Standards Change 1411, Discontinue
Credit/Replacement for Constructed Document Numbers

The attached Approved Defense Logistics Management Standards Change (ADC), as
outlined in the attachment, is approved for implementation.

Addressees may direct questions to Ben Breen, e-mail: Benjamin.Breen@dla.mil. Others
must contact their designated Process Review Committee representative available at
http://www.dla.mil/HQ/InformationOperations/DLMS/allpoc/.

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

Attachment:
As stated

cc:
OUSD(C)
DLA J6DS

# ADC 1411
# Discontinue Credit/Replacement for Constructed Document Numbers

**1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION:**

**a.** **Technical POC:** DLA Enterprise Business System (EBS): Defense Logistics Agency, Logistics Operations, Makeya Porter, e-mail: Makeya.Porter@dla.mil, 571-767-4504

**b.** **Functional POC:** Defense Logistics Agency, Logistics Operations, Steven Nace, e- mail: Steven.Nace@dla.mil, 571-767-6582

**c.** **Functional POC:** Defense Logistics Agency, Finance, Justin Morrison, email: Justin.Morrison@dla.mil, 614-692-8858

**2. REFERENCES:**

**a.** DLM 4000.25, Volume 1, Concepts and Procedures, May 04, 2018

**b.** DLM 4000.25, Volume 2, Supply Standards and Procedures, October 09, 2018

**c.** DLM 4000.25, Volume 4, Military Standard Billing System – Finance, December 14, 2016

**3. APPROVED CHANGE(S):** Changes from the proposed to approved change are identified in green shade text.

**a.** **Brief Overview of Change:**

**(1)** Re-emphasize the systemic need to provide a constructed document number for submission of Supply Discrepancy Reports (SDRs) and Product Quality Deficiency Reports (PQDRs) when the original document number cannot be located.

**(2)** Eliminates the practice of providing credit or replacement of materiel when referencing a constructed document number in place of the original document number for SDRs and PQDRs.

**b.** **Background:** During internal evaluations of credit processes for SDRs and PQDRs, DLA, Navy operations, and finance personnel discovered audit issues with issuing credit, and returning credit, when referencing constructed document numbers. When constructed document numbers are used to issue credit, and the original document number is not provided, when Defense Finance and Accounting (DFAS) processes the credit back to the customer, the customer's comptroller office cannot match the return of funds to an original document number which results in unmatched transactions. OUSD(A&S) and OUSD(C) advised these audit findings discovered by DLA and the Navy are non-compliant financial processes.

**c.** Multiple references in the DLM 4000.25 (References 2.a., 2.b., and 2.c.) require the use of a constructed document number when the original document number cannot be located.

While both SDR and PQDR systemic business rules require requisition information be provided as part of the mandatory data elements transferred for these types of discrepancy reports, the practice of providing financial credit or replacements has been found to be non-compliant with Financial Improvement and Audit Readiness (FIAR).

     **d.  Approved Change in Detail:**  When customers only submit supply or product quality reports with a constructed document number, the action activity will inform the submitting activity that credit or replacement will not be provided without the original document number prior to providing disposition.  The inability to provide an original document number will not be a determining factor for investigating or resolving supply or product quality related reports.

     **e.  Revisions to Defense Logistics Manuals:**  Revises the below volumes and chapters of the DLM 4000.25 as referenced in Section 3. above, with specific changes provided in the enclosure.

         **(1)**  Defense Logistics Manual (DLM) 4000.25, Volume 2, Supply Standards and Procedures, Chapter 11, Materiel Returns, Redistribution of Assets, Directed Discrepant/Deficient Materiel Returns and Retrograde Returns

         **(2)**  Defense Logistics Manual (DLM) 4000.25, Volume 2, Supply Standards and Procedures, Chapter 17, Supply Discrepancy Reporting

         **(3)**  Defense Logistics Manual (DLM) 4000.25, Volume 2, Supply Standards and Procedures, Chapter 21, Stock Readiness Program

         **(4)**  Defense Logistics Manual (DLM) 4000.25, Volume 2, Supply Standards and Procedures, Appendix 6.39, Preparation of Supply Discrepancy Report Using Standard Form SF 364

         **(5)**  Defense Logistics Manual (DLM) 4000.25, Volume 4, Military Standard Billing System – Finance, Chapter 4, Adjustment Procedures

     **f.  Approved Transaction Flow:**  Standard SDR/PQDR process applies.

**4.  REASON FOR CHANGE:**  This change is necessary to meet financial audit standards and to bring DoD logistics and financial processes into compliance.

**5.  ADVANTAGES AND DISADVANTAGES:**

     **a.  Advantages:**  No longer allowing credit or replacement when referencing a constructed document number will resolve audit issues discovered during reviews by OUSD(A&S), OUSD(C), Navy, and DLA.  Achieving sustained audit compliance is a top priority of the DoD.

     **b.  Disadvantages:**  Discontinuing to process materiel credits or replacements when referencing constructed document numbers could result in fewer reports of non-conformance with no direct compensation being provided to reporting units.

**6. ESTIMATED TIMELINE/IMPLEMENTATION TARGET:** No systemic modifications are required as part of this change. The change will be implemented upon approval of this DLMS change.

**7. IMPACT:**

    **a. <u>New/Changes Data Elements</u>:** No changes required.

    **b. <u>Automated Information Systems (AIS)</u>:** No AIS impact

    **c. <u>Defense Automatic Addressing System (DAAS)</u>:** No DAAS impact

    **d. <u>Non-DLM Publications</u>:** Components to update internal procedures upon approval.

**8. PROPOSED DLMS CHANGE (PDC) 1411 RESPONSE/COMMENT RESOLUTION:**

| | Component | Response/Comment | Disposition |
|---|---|---|---|
| 1. | DLA | Concur with comment.<br><br>Comment:<br><br>1. We 100% agree with the concept of not providing credit if the materiel was not purchased from DLA.<br><br>2. Add the following to paragraph C21.4.9.1. for clarity. "...issued by the Source of Supply (SOS)". This meets the intent for the SOS to only provide credit on items purchased from the SOS | As noted<br><br>DEDSO Response: Update made to approved change to DLM 4000.25 Volume 2 Chapter 21, paragraph C21.4.9.1. as recommended for clarity. |
| 2. | Navy | Concur without comment. | As noted. |
| 3. | Air Force | Concur with comment.<br><br>Comment:<br><br>1. C17.3.2.11.2.: Sentence states that when using a constructed DocNR in an SDR, coordinate with the Component Finance Office. Recommend deleting the sentence as there will no longer be a financial transaction required to recoup funds.<br><br>Rationale: Credit is no longer going to occur, so there is no real purpose to coordinate with the Component Finance Office, unless to notify that a constructed DocNR was used.<br><br>2. C17.3.2.11.2.: A number of sentences were deleted that were directly applicable to crediting an SDR with a constructed document number. However, the last sentence, "Include identity of the incorrect item received in the discrepancy report" does not apply to crediting. Keep this sentence.<br><br>Rationale: You would want to include the identity of the incorrect item in an SDR. Whether you credit or not, this sentence is still applicable. | As noted.<br><br>DEDSO Response:<br><br>1. Updated.<br><br><br><br><br><br><br><br>2. Updated. |

| | Component | Response/Comment | Disposition |
|---|---|---|---|
| | | 3 C21.4.9.1.: The new sentences, " when using a constructed document number, the original document number must be included to receive credit. Failing to provide the original document number will result in no credit to the Component performing the return." makes no sense. What would be the reason to use a constructed document number if the original document number is known? Recommend change to: "When using a constructed document number, credit or replacement will not be given to the Component performing the return."<br><br>Rationale: The prior sentence states "if the owner no longer knows the specific document number…". Why would we state you have to include the original doc number in the next sentence if you already have confirmed you don't know what it is?<br><br>4. Item 13, para 2: Same comment as previously, why would we coordinate with the Component Finance office if using a constructed document number? Since credit is no longer given, it appears as if this coordination is no longer needed unless to notify finance that they should not process a credit. Recommend changing to: "When using a constructed document number under the authorized procedures, assign DLMS Utilization Code U in the first position of the serial number in the constructed document number. Also note that when using a constructed document number, credit or replacement is not authorized."<br><br>Rationale: Since financial data will not be provided in the SDR, the Component Finance Office would not be able to process a credit.<br><br>5. C17.3.2.11.2.: Previous correction deleted the "credit-to/bill-to" DoDAAC (credit nor billing is processed now). Recommend the same correction…delete "credit to/bill to" and replace with "reporting activity" DoDAAC.<br><br>Rationale: To be consistent | 3. Updated to include DLAs comments in this section as well.<br><br><br><br><br><br><br>4. Updated.<br><br><br><br><br><br><br><br><br><br>5. Updated. |
| 4. | US Army | Concur without comments. | As noted. |
| 5. | USMC | Concur without comments. | As noted. |
| 6. | DAAS | Concur without Comment. | As noted. |
| 7. | USTRANS COM | Abstains. | As noted. |
| 8. | GSA | Concur without Comment. | As noted. |
| 9. | OUSD(C), EDBP | Concurs as written. | As noted. |

**Enclosure**

Make the following changes to Defense Logistics Manual (DLM) 4000.25.  Additions are shown in ***red bold italics***, and deletions are shown with double strikethrough text.

**A.  Defense Logistics Manual (DLM) 4000.25, Volume 2, Supply Standards and Procedures**

**Chapter 11, Materiel Returns, Redistribution of Assets, Directed Discrepancy/ Deficient Materiel Returns and Retrograde Returns**

(*Preceding text not shown*)

> C11.20.3.2.  Product Quality ***Deficiency***~~screpancy~~ Report

>> C11.20.3.2.1.  When directing return of deficient materiel/exhibits to storage activities, the PQDR reply will include the date by which the customer will return the materiel to the designated location.  The responsible activity may apply an expedited time standard to Type I PQDRs or as appropriate.  The ICP/IMM will identify the return-to location ~~will be identified~~ by DoDAAC or CAGE/clear text as described in paragraph C11.20.1.

>> C11.20.3.2.2.  When directing return of deficient materiel/PQDR exhibit, the ICP/IMM will establish a due-in and generate a PMR transaction to the receiving activity for the materiel return/exhibit quantity using SCC Q.  Action to establish the due-in and create the PMR transaction will be accomplished under MILSTRAP/DLMS by the activity directing the return. The PMR will perpetuate the document number associated with the PQDR, normally the document number of the original shipment or the alternative document number assigned by the activity directing the return as described in paragraph C11.20.1.  If the submitter does not have the original shipment document number available, a constructed document number will be employed for the PMR~~,~~ ***and*** the return shipment~~, and future financial actions~~. The DLMS PMR will include the Return Type Code indicating the reason for the PMR as return of quality deficient materiel and will perpetuate the PQDR report control number (RCN).

**Chapter 17, Supply Discrepancy Reporting**

(*Intervening text not shown*)

>> C17.3.2.6.2.  Concealed Overage/Shortage.  U.S. Government customers must report overages or shortages discovered while opening a sealed vendor pack regardless of dollar value or shipper.  These reports must contain, if available, the PIID from the packaging, the lot number, and original document number. A constructed document number must be provided when the original number is not known.  ~~When using a constructed document number in an SDR coordinate with the applicable Component finance office~~.  Use the ~~credit-to/bill-to~~ ***reporting activity's*** DoDAAC as the basis for constructing the document number, ~~follow MILSBILLS procedures~~ citing Code U in the first position of the constructed document number serial number (DLMS Utilization Code U)~~, and include fund code to ensure that credit/billing is~~

~~appropriate. Conformance with standard line of accounting (SLOA)/accounting classification requires any initiation of a financial business event (e.g., credit or debit) to include SLOA mandated standard financial information system (SFIS) elements.7 The DLMS SDR transaction support inclusion of SLOA required elements.~~

(*Intervening text not shown*)

C17.3.2.6.5.1. Overages or shortages of boxes, packages, or loose articles of freight in a commercial/Government-owned/leased shipping container (commonly called SEAVAN), Military SEAVAN (MILVAN), a Military Sealift Command SEAVAN (MSCVAN or MILVAN), roll-on/roll-off (RORO) trailer, or CONEX.

(*Intervening text not shown*)

C17.3.2.11.2.  Incorrect item discrepancies discovered while opening a sealed vendor pack will be reported regardless of dollar value or shipper.  These reports must contain the PIID from the packaging and, if available, the lot number and the original document number.  A constructed document number will be provided when the original number is not known.  ~~When using a constructed document number in an SDR coordinate with the applicable Component finance office.~~ Use the ~~credit-to/bill-to~~ *reporting activity's* DoDAAC as the basis for constructing the document number, ~~follow MILSBILLS procedures~~ citing Code U in the first position of the constructed document number serial number (DLMS Utilization Code U)~~, and include fund code to ensure that credit/billing is appropriate. Conformance with standard line of accounting (SLOA)/accounting classification requires any initiation of a financial business event (e.g., credit or debit) to include SLOA mandated standard financial information system (SFIS) elements.8 The DLMS SDR transaction supports inclusion of SLOA required elements.~~ Include identity of the incorrect item received in the discrepancy report.

(*Intervening text not shown*)

~~C17.3.20.1.2.7. If the SDRs contain a constructed document number, check if fund code is invalid/missing. If fund code is invalid/missing, reject with the DLMS 842A/R SDR Reply citing Reply Code 943.43~~

## Chapter 21 Stock Readiness

(*Preceding text not shown*)

C21.4.9.1.  Upon completion of the investigation, if the suspended materiel is found to be non-conforming, the manager will provide an interim SQCR response to the owner(s) using Reply Code ~~523~~*104* requesting original requisition numbers and asking the owner to create a ship-in-place MRO to the distribution center(s) where the materiel is located using the manager-provided document number.  Concurrent with the SQCR interim reply, the manager will provide a prepositioned materiel receipt (PMR) to the applicable distribution center(s) identifying the manager as the activity to which the receipt transferring ownership will be directed.  If the owner no longer knows the specific document number under which the materiel was requisitioned, a constructed document

number ~~may~~ ***must*** be used. ***Failing to provide the original document number for material issued by the source of supply (SOS) will result in no credit to the Component performing the return*** when ***using*** a constructed document number***.*** ~~is provided, Standard Line of Accounting (SLOA)/Accounting Classification data content may be populated manually or referentially through the authoritative data source SFIS Fund Code to Fund Account Conversion Table maintained at DAAS.~~

        C21.4.9.2.  <u>Standard Line of Accounting/Accounting Classification Data Elements</u>.  Under DLMS, logistics transactions with financial implications are required to carry discrete SLOA/Accounting Classification data elements.  This requirement ***does not*** appl***y***~~ies~~ to the SQCR Reply where the original SLOA/Accounting Classification data was not previously provided as indicated by the use of a constructed document number by the non-manager owner requesting credit for suspended stock.  ~~Pending full implementation of SLOA/Accounting Classification across DoD logistics processes, WebSQCR will be responsible for populating the data elements available from the Standard Financial Information Structure (SFIS) Fund Code to Fund Account Conversion Table.  The remaining SLOA/Accounting data elements identified in the SQCR Reply transaction will not be available for initial implementation of WebSQCR. When a constructed document number is provided in the owner's SQCR reply, WebSQCR will match to the table to extract the following data elements based upon Service/Agency Code (in the first position of the document number DoDAAC representing the credit-to DoDAAC) and Fund Code:~~

- ~~Department Regular Code~~
- ~~Department Transfer Code~~
- ~~Main Account Code~~
- ~~Sub-Account Code~~
- ~~Treasury Sub Class~~
- ~~Sub-Allocation~~
- ~~Availability Type Code~~
- ~~Beginning Period of Availability/Program Year. If Availability Type Code X (no year funds) is identified in the SFIS Fund Code to Fund Account Conversion Table for the line of accounting, then the date provided will be interpreted as the Program Year and the Ending Period of Available will not apply.~~
- ~~Ending Period of Availability. Not applicable if Availability Type Code X is identified (refer to Beginning Period of Availability above)~~

**Appendix 6.39, Preparation of Supply Discrepancy Report Using Standard Form (SF) 364**

(*Preceding text not shown*)

Item 8    Requisitioner's Number.  Enter the requisitioning activity's number, (e.g., requisition, purchase request, and suffix code), if applicable. Entry of the applicable requisition document number is mandatory in all instances, even though a contract/purchase order is involved.  Only one document number will be included on each SF 364.  For U.S. SDRs only, when the original requisition number cannot be identified for discrepancies in sealed vendor packs, the reporting activity must include a constructed document number.  When using a constructed document number in an SDR, ~~use block 13 to cite the fund code and bill-to/credit-to DoDAAC, if different from that in the document number~~ ***credit or replacement is not authorized***.

Item 9a   NSN/Part Number and Nomenclature.  If item received is different from item shown on shipping documents, or different from item ordered, show each item on a separate line.  For serial numbered principal items, sets, kits and outfits, list the item individual serial number first, followed by the discrepancies applicable to that serial number. (Sets, kits and outfits showing an assembly order number, the assembly order number should also be listed.)

Item 13   Funding and Accounting Data.  (Not applicable to Security Assistance SDRs.)  For packaging discrepancies, the accounting/appropriation fund cite may be entered in this block by the SDR initiator if reimbursement funds/credits are expected for costs incurred to correct reported deficiencies. Use only when a billing document such as the SF 1080, Voucher for Transfer Between Appropriation and/or Funds, will not be prepared.

When using a constructed document number under authorized SDR procedures ***use the reporting activity's DoDAAC as the basis for constructing the document number, citing*** ~~and prior coordination with the applicable Component finance office (~~Code U in the first position of the constructed document number serial number (DLMS Utilization Code U)~~. per MILSBILLS procedures), include fund code and credit-to/bill-to DoDAAC, to ensure that credit/billing is appropriate~~. ***Credit or replacement is not authorized***.

**B. Volume 4, Military Standard Billing System – Finance**

**Chapter 4, Adjustment Procedures**

(*Preceding text not shown*)

C4.10.  <u>ADJUSTMENTS FOR DISCREPANCY REPORTS</u>

(*Intervening text not shown*

       C4.10.1.2.2.  <u>Materiel Billed and Paid</u>.  *T*he materiel was billed and paid previously ~~or i~~*I*n the case of reporting on a constructed document number, ~~there is a reasonable basis for assuming that the items were previously billed and paid~~ credit will not be authorized per Volume 2 C17.3.~~2.6.5.1~~ and C21.4.~~9.1~~.

(*Intervening text not shown*

       C4.10.1.4. The original MILSTRIP requisition number is included on the PQDR, SDR, or SQCR. When the original requisition number cannot be identified, the originator, material owner, or screening point must include a constructed 14 position MILSTRIP document number using the originator, owning activity, or screening point's DoDAAC for the first six characters, the current Julian date (YDDD) for the next four positions, and a four position serial number beginning with "U" as the first position of the serial number. An example of a constructed document number is F123453175 U001. Code U is also carried as a utilization code under DLMS. Note:  For SDRs, circumstances authorizing the use of a constructed document number are restricted to those described in DLMS, Volume 2, Chapter 17.  For SQCRs, circumstances authorizing the use of a constructed document number are restricted to those described in DLMS, Volume 2, Chapter 21.  ***Credit or replacement is not authorized for constructed document numbers.***

       ~~C4.10.2.4. Adjustments based upon PQDRs will be forwarded to the code and bill-to DoDAAC indicated on the PQDR. If omitted, adjustments will be sent to the DoDAAC indicated (TAC 3, or TAC 1 if no TAC 3 exists) of the requisition number provided on the PQDR and the fund codes in Table C4.T2.~~