

May 22, 1997

DLMSO

MEMORANDUM FOR: DISTRIBUTION

SUBJECT: Approved Defense Logistics Management System (DLMS)
Change 3, Material Returns Discrepancies (Staffed as
Proposed Change 6/6A) (Supply/MILSTRIP)

The Attachment is published as an approved change to the DoD 4000.25-1-M, Military Standard Requisitioning and Issue Procedures (MILSTRIP), and DoD 4000.25-M, DLMS, Volume 2, Supply, Chapter 12, Material Returns and Redistribution of Assets. The DoD Components concurred in this change as modified during the Supply Process Review Committee (PRC) Meeting May 5-9, 1997.

Addressees are advised not to file this change in the DoD MILSTRIP or DLMS manual. This approved change is provided as a planning document only. This is considered an administrative change which will be incorporated in the next interim or formal change to the applicable manuals.

Addressees may direct their questions to Ms. Ellen Hilert, DSN 427-6117 or 703-767-6117, e-mail: ellen_hilert@hq.dla.mil. Others may direct questions/comments to their Service/Agency designated representative.

/s/

JAMES A. JOHNSON
Director
Defense Logistics Management
Standards Office

Attachment

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Approved DLMS Change 3

1. ORIGINATOR:

a. **Service/Agency:** DLMSO

b. **Originator:** Ellen Hilert, Supply Process Review Committee (PRC) Chair, DLMSO, 703-767-6117, DSN 427-6117, or e-mail: ellen_hilert@hq.dla.mil

2. **FUNCTIONAL AREA:** Supply

3. REQUESTED CHANGE:

a. **Title:** Material Returns Discrepancies

b. **Description of Change:** This proposal provides a cautionary statement to advise Government activities returning material that the returning activity may be held responsible for costs incurred by the receiving activity when discrepant conditions are reported and validated.

c. **Procedures:** Revise MILSTRIP Chapter 9, paragraph A/DLMS, Volume 2, Chapter 12, paragraph 12.1 to include the following new subparagraph.

"U.S. Government activities returning material are cautioned that the returning activity may be held responsible for costs incurred by the receiving activity when discrepancies are reported and validated in accordance with MILSTRIP reference (v) [or DLMS, chapter 18]. This includes returns made in violation of prescribed material 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 such as repackaging, marking, and disposal."

4. REASON FOR CHANGE:

a. This change was requested at the Military Standard Billing System Focal Point Committee Meeting (MILSBILLS)(96-1), May 7, 1996 in support of approved changes to the DLAR 4140.55/AR 735-11-2/SECNAVINST 4355.18/AFR 400-54, Reporting of Item and

Attachment

Packaging Discrepancies. Additionally, this change supports the DoD Care of Supplies in Storage (COSIS) Program for FY 97. In accordance with this program, cost reimbursable actions in receiving shall be documented using a Supply Discrepancy Report (SDR).

b. The inclusion of this cautionary statement within MILSTRIP/DLMS procedural guidance for material returns provides advance notice to the shipping activity that they will be held responsible for reimbursable costs incurred as a result of discrepant shipments. The goal is to greatly reduce the number of such discrepancies by shifting the financial burden for corrective actions to the initiator.

5. ADVANTAGES/DISADVANTAGES: Inclusion of this cautionary statement within the MILSTRIP Material Returns procedures is intended to give visibility to all involved that discrepancies occurring in material returns shipments may result in necessary corrective actions for which the returning activity could be held financially accountable. There are no known disadvantages.

6. IMPACT: This change reflects an interface between MILSTRIP, MILSBILLS, and SDR procedures. The wording is intended to focus attention and provide a deterrent to discrepant shipments. This change was proposed in conjunction with the DLMSO memorandum of June 24, 1996, Approved SDR/Report of Discrepancy (ROD) Change 1 (U.S.), Reporting of Supply Discrepancies. The SDR change includes guidance to receiving activities for documenting material returns discrepancies which will support recoupment action as appropriate. MILSBILLS Interim Change 97-1 (Enclosure 1) clarifies related billing procedures already in place.

Enclosure

DLMSO

April 18, 1997

MEMORANDUM FOR: DISTRIBUTION

SUBJECT: Interim Change 97-1 to Military Standard Billing System (MILSBILLS), "Reimbursements for Discrepant Materiel Returns and Shipments"

In their February 1996 meeting, the DoD MILSBILLS Focal Point Committee approved the DoD Supply Discrepancy Report Administrator's proposal to document MILSBILLS billing and adjustment procedures for recovering costs associated with discrepant materiel returns and shipments. The Committee agreed that Vol IIB of DoD 7000.14-R authorizes recovery of costs incurred for repackaging, disposal, and similar costs for unauthorized returns, deficient packaging, and other item and packaging discrepancy costs which are not included in the normal cost recovery elements of the standard price. The Committee authorized the Administrator to issue the attached change as an administrative change to MILSBILLS. Please direct any questions regarding this change to Mr. Dennis Thomas at 703-767-6128, DSN 427-6128, or e-mail, dennis_thomas@hq.dla.mil.

/s/

JAMES A. JOHNSON
Director
Defense Logistics Management
Standards Office

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Interim Change 97-1
to
DoD Military Standard Billing System (MILSBILLS)
"Reimbursements for Discrepant Materiel Returns and Shipments"

Revise DoD 4000.25-7-M, Chapter 4, Section I, "ADJUSTMENTS FOR DISCREPANCY REPORTS" to add the following new paragraph 7:

"7. Activities returning materiel may be held responsible for costs incurred for repackaging, disposal, and similar costs for unauthorized returns, deficient packaging, and other item and packaging discrepancies which have been documented and validated under supply discrepancy (SF 364) procedures. Although other, mutually agreeable arrangements may be made, such costs will normally be recovered under SF 1080 procedures and will be supported by the validated discrepancy report. In addition, when such returns are creditable, these discrepancy costs may be offset against the credit to which the returning activity is otherwise entitled."