



DEFENSE LOGISTICS AGENCY
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IN REPLY
REFER TO

DLMSO

JUN 6 2006

MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE MEMBERS

SUBJECT: Approved Defense Logistics Management System (DLMS) Change (ADC) 181A, Foreign Military Sales (FMS) Supply Discrepancy Reports (SDRs) for Quality Deficiencies including Latent Defects (Staffed by PDC 174/ADC 181 as revised)

The attached change to DOD 4000.25-M, Defense Logistics Management System (DLMS) and DLAI 4140.55, AR 735-11-2 SECNAVINST 4355.18A, AFJMAN 23-215, Reporting of Supply Discrepancies, is effective immediately and will be reflected in the next publication update. This is a replacement for ADC 181, which was subsequently withdrawn.

Addressees may direct questions to the Defense Logistics Management Standards Office point of contact, Ms. Ellen Hilert, Chair, Supply Process Review Committee, 703-767-0676, DSN 427-0676, or e-mail: Ellen.Hilert@dla.mil Others must contact their Component designated representative.

A handwritten signature in blue ink that reads "Donald C. Pipp".

DONALD C. PIPP
Director
Defense Logistics Management
Standards Office

Attachment

cc:
ADUSD(L)SCI
DOD SDR Subcommittee (SA & FMS)
DOD PQDR System Administrator

ADC 181A
FMS SDRs for Product Quality and Latent Defects

1. ORIGINATOR:

Service/Agency: Navy International Logistics Control Office (ILCO)

2. REFERENCES:

a. DLAI 4140.55/AR 735-11-2 /SECNAVINST 4355.18^a/AFJMAN 23-215, Reporting of Supply Discrepancies

b. DOD 5105.38-M, Security Assistance Management Manual, available at:
<http://www.dsca.mil/samm/>

c. DLMSO Memorandum dated September 14, 2005, subject: Approved Defense Logistics Management System (DLMS) Change (ADC) 181, Foreign Military Sales (FMS) Supply Discrepancy Report (SDR) for Latent Defects.

d. DLMSO Memorandum dated November 9, 2005, subject: Withdrawal of Approved Defense Logistics Management System (DLMS) Change (ADC) 181, Foreign Military Sales (FMS) Supply Discrepancy Report (SDR) for Latent Defects

3. FUNCTIONAL AREA: Primary: Supply SDR

4. REQUESTED CHANGE:

a. **Title:** FMS SDRs for Product Quality and Latent Defects

b. **Description of Change:** This change adds clarifying information for submittal of a latent defect under the Supply Discrepancy Report “Latent Defects” submission criteria. It also clarifies intent to process quality-related SDRs under PQDR procedures.

c. Background:

(1) Subsequent to publication of reference 2.c., it was brought to the attention of DLMSO and the SDR Security Assistance Subcommittee that the revised definition for latent defect was not legally supportable due to the improper inclusion of repaired items. The ADC was withdrawn by reference 2.d. The documentation has been corrected as shown below.

(2) In addition, this ADC documents the planned procedures for submission of quality SDR under automation. A latent defect is authorized for reporting by FMS customers under SDR procedures as a discrepant condition. However, U.S. customers report latent defects under Product Quality Deficiency Report (PQDR) procedures. This has caused multiple disconnects

which have been compounded under automation. After several joint Component meetings, the resulting agreement is to continue to permit FMS customers to report quality SDRs as currently authorized by their Letter of Offer and Acceptance (LOA) agreements, however, under the DLMS, the data content on the automated transmission was expanded to accommodate additional information needed to research the complaint. The ILCO will accept the customer's complaint as an SDR (if desired, a PQDR is also acceptable). The ILCO will forward the SDR submission for continued processing by the ICP/IMM Source of Supply (SoS) under PQDR procedures. Input to a PQDR processing system by the ILCO, or after forwarding to the ICP/IMM, is acceptable pending full implementation of the DOD WebSDR Defense Automatic Addressing System/Product Data Reporting and Evaluation Program (DAAS/PDREP) facilitated electric transaction processing. Under the planned interface, the SDR submission will be forwarded electronically by the ILCO to DAAS using the DLMS 842A/W format as enhanced for PQDR data content. (Already implemented under AFSAC-A.) This transaction will ultimately be forwarded to the PDREP application. The PDREP application will use the PQDR Interface (developed under the Business Initiatives Council) to forward to Service PQDR systems where applicable. Until this interface is completed, 842A/W transactions will be forwarded to the SoS SDR system. This will result in some information not being captured since it is applicable to quality deficiencies only. The SoS may access DOD WebSDR to view this additional data content. Credit reimbursement when applicable will follow SDR rules as prescribed under reference 2.b.

(3) The most appropriate implementation date was debated at the time the ADC 181 was published. The resulting DLMSO and DSCA recommendation was that implementation should be effective upon ADC publication. Because this revised version of the change is provided for clarification of existing procedures and the actual definition of latent defect is not altered, there is no longer a concern about retroactive application to previously submitted SDRs or shipments occurring prior to publication.

(4) During coordination of the revised wording for ADC 181A there was an additional discussion concerning the wording of the guidance for substantiating documentation which originally appeared to impose a testing requirement which would improperly burden the customer with substantiating the defect prior to submission of the report. The wording now reflects a requirement for substantiating documentation with a list of potentially applicable types of substantiating documentation without requiring specific tests be conducted.

d. Procedures: Changes are identified in *bold italics*.

(5) Revise DLAI 4140.55, Enclosure 7, Security Assistance Guidance, as follows.

(a) Revise paragraph B.1.a. This is a minimal change to introduce the concept of processing under PQDR guidance. Further revision will be made as the above described process evolves.

1. The purpose of this enclosure is to provide specific procedural guidance relevant to the processing of Security Assistance (SA) Supply Discrepancy Reports (SDRs) (formerly referred to as Reports of Discrepancy (RODs)). Based upon United States of America Letter of Offer and Acceptance (LOA) agreements, SA customers will use SDRs to report all supply, billing, and product quality discrepancies associated with SA shipments. International Logistics Control

Offices (ILCOs) should also refer to reference A.5 of the basic instruction for overall policy related to SA. ***Quality deficiencies reported via SDR will be investigated within the Inventory Control Point/Integrated Material Manager under procedures associated with Product Quality Deficiency Reports (PQDRs).***

(b) Revise paragraph B.1.a to clarify rules for product quality SDR submission.

a. Product Quality (Item) Deficiencies. The SA customer must provide evidence that a receipt inspection was performed and the defect could not be detected at that time and that the defect is present for reasons other than deterioration or damage incurred during storage or handling. Quality deficiencies include deficiencies in design, specification material, manufacture, and workmanship. The submitter ~~may~~ **must** identify **by discrepancy code** latent defects and quality deficiencies which result in a safety hazard. A detailed description of the complaint ~~may~~ **must** be provided if needed to supplement discrepancy codes. In addition, provide photographs, test data, and related documentation, ~~if available~~. ***When submitting a latent defect discrepancy code on the SDR, the report must include substantiating documentation to validate the latent defect such as the applicable test report used to identify the latent defect. Latent defects must be submitted to the ILCO with substantiating documentation. Following is a list of potentially applicable forms of substantiating documentation:***

a. Receipt tests conducted and test reports (including test equipment model, serial number and software version) or documentation of receipt tests not conducted and justification for tests not conducted

b. Subsequent tests conducted and results including test equipment model, serial number, and software version along with test readings

c. Justification that initial receipt inspection and testing could not have detected the deficiency

d. Documentation of storage and handling of the item since receipt including type of storage.

(6) Revise DLAI 4140.55, Enclosure 1, Definitions. The original wording is rearranged and supplemented.

18. Latent Defect. A latent defect is defined as a deficiency in an article which effects the operability and is not normally detected by examination or routine test, but which was present at time of manufacture. Receipt inspection does not necessitate initial operation or extensive testing, disassembly, or other extraordinary receipt inspection. ***This definition is provided for supply discrepancy reporting of product quality deficiencies against Security Assistance shipments and is not applicable for other SDR submissions. Refer to Enclosure 7, Security Assistance Guidance, paragraph B, for required substantiating documentation.***

5. REASON FOR CHANGE: To provide additional information to ensure the proper data is received for determining a latent defect. To pave the way for PQDR processing of SDRs.

4. ADVANTAGES AND DISADVANTAGES:

a. Advantages: Allows for the identification and resolution of SDRs in a timely fashion

b. Disadvantages: The approved definition does not include a time limit on submission of latent defect SDRs, which was requested in the original draft proposal. The Defense Security Cooperation Agency (DSCA) disapproved the request for a time limit.

5. IMPACT

a. Publication(s): DLAI 4140.55; and DOD 5105.38-M.

b. SDR and PQDR processing systems