



DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD
FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY
REFER TO DLMSO

April 4, 2007

MEMORANDUM FOR SUPPLY AND FINANCE PROCESS REVIEW COMMITTEE
(PRC) MEMBERS

SUBJECT: Approved Defense Logistics Management System (DLMS) Change (ADC) 228,
New Status Code for Free Issue Post-Post Orders (Supply/MILSTRIP/Finance)
(Staffed as PDC 237)

The attached change to DOD 4000.25-M, DLMS, and DOD 4000.25-1-M, Military Standard Requisitioning and Issue Procedures (MILSTRIP), is approved for phased and staggered implementation beginning no sooner than September 2007.

Addressees may direct questions to the DLMSO point of contact, Ms. Ellen Hilert, Chair, Supply Process Review Committee, 703-767-0676, DSN 427-0676, or e-mail: ellen.hilert@dla.mil, or Mr. Robert Hammond, 703-767-2117, DSN 427-2117 or e-mail: robert.hammond@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:
DUSD (L&MR) SCI

ADC 228
New Status Code for Free Issue Post-Post Orders

1. ORIGINATOR:

a. Service/Agency: Defense Logistics Agency (DLA)

b. Originator: DSCC DSN 850-2835, commercial 614-692-2835, and DLA J-33, DSN 427-1562, commercial 703-767-1562

2. FUNCTIONAL AREA: Primary: Supply/Finance

3. REQUESTED ADDITION:

a. Title: New Status Code for Free Issue Post-Post Orders

b. Description of Change: This change establishes procedures that allow the source of supply to modify post-post non-reimbursable requisitions so that they are processed as reimbursable with concurrent generation of supply status notification.

c. Background: Standard requisitions submitted to DLA for free issue (identified by Signal Code D or M) are validated based on Project Code, Service Code, and Signal Code to assure that the customer is authorized for the free materiel. However, requisitions processed on a post-post basis bypass the standard edits. This may result in material being shipped as free issue where reimbursement should have been provided. This change is intended to support validation of post-post non-reimbursable requisitions and establish appropriate procedures where such requisitions fail to pass validation criteria. Since the validation is subsequent to shipment in a post-post scenario, a new process is required to notify the customer that the free issue will not be honored and that appropriate billing will follow. **Revisions made subsequent to staffing the proposal are highlighted** (yellow=1st coordination; blue=2nd final version).

d. Procedures:

(1) **Detailed Procedures.** Update MILSTRIP Chapter 4, Status, to insert a new subparagraph under C4.10. Preparation of Status Transactions, and DLMS, Vol. II, Chapter 5, Status Reporting, to insert a new subparagraph C5.2.6.11.10. to include new procedures.

“C4.10.14 (or DLMS C5.2.6.11.10) Requisitions which fail free issue validation will be rejected with CM Status; a new funded requisition may be submitted if the material is still required. Requisitions which fail free issue validation subsequent to material release (post-post requisitions/issue) may be handled as funded requirements. In this case, the source of supply will furnish DT Status alerting eligible status recipients that the post-post requirement is not authorized for free issue and to adjust fund obligation records as material will be billed to the requisitioner.

C4.10.14.1 Where a post-post requisition contains a free issue Signal Code D or M and free issue is not authorized, the signal code will be modified to the applicable billable signal code. Where the original requisition identified a valid fund code it will be

used for billing; otherwise, the fund code will be modified to indicate non-interfund billing (Fund Code XP):

C4.10.14.1.1 Signal Code D is replaced with Signal Code A to reflect the correct shipping activity. (Both D and A ship to the requisitioner as identified in the document number of original submission.)

C4.10.14.1.2 Signal Code M is replaced with Signal Code J to reflect the correct shipping activity. (Both M and J ship to Supplementary Address identified in the original submission.)

C4.10.14.3 Since post-post orders are already shipped and cannot be split, if part of the quantity ordered is not eligible for free issue, the entire order will be denied free issue.

(2) **Status Code.** Update MILSTRIP Appendix 2.16, Status Codes, and DLMS to include a new Status Code:

“DT: Free Issue denied; either the complete or partial quantity of a post-post requirement (includes DI Code C0_, CQ_, D7_) is not authorized for free issue. Fund code and/or signal code corrected as noted. Adjust local fund obligation records.”

(3) **Fund Code.** Multiple options for identification of the fund code/account were discussed in the original proposal. Per Component recommendation, the approved change specifies that the billing Component will use the fund code from the original requisition whenever possible. Fund Code XP (which will result in off-line billing) will only be used where no valid fund code is available. The option to use a default fund code which could change over time was discarded due to the risk that such fund codes would become invalid or obsolete over time and that a new fund code table for this purpose would require oversight/maintenance.

4. REASON FOR ADDITION:

a. There is no current status code that would be applicable in a free issue post-post order that tells the customer they are being billed as a result of failing the free issue check. In addition, to correctly reflect MILSTRIP conventions, the Signal Code must be changed to something other than D/M to accurately reflect the fact that the order is eligible for billing.

b. Post-Post orders currently do not go through free issue edits nor do they have corresponding free issue item category codes. Since standard orders must pass this validation, it follows that post-post orders should be subject to the free issue validations.

5. ADVANTAGES AND DISADVANTAGES:

a. Advantages:

(1) DLA has no other protection against free issue abuse in a post-post environment. This proposal is designed to apply the correct billing to an order based on the free issue validations in BSM. It is presumed that a customer requirement that is urgent enough to warrant post-post support has sufficient funding in the event free issue should not have been expected. Analysis of 300,000 sales orders in SAP revealed that 42 out of 300,000 BSM requisitions or .014% resulted in an incidence of post-post free issue which is a very low

percentage of DLA orders being affected and therefore should not cause excessive burdens on the customer's financial systems.

(2) Informing the customer that they are not authorized for free issue and that they will be billed for the full quantity via new status code which in turn recoups DLA's costs.

(3) Where used as a default method where no fund code is provided, the use of manual billing will bring this issue to the attention of a human being and repeated abuse of free issue could then be identified and corrected if necessary.

b. Disadvantages:

(1) Customers who have an expectation of free issue within a post-post environment will require BSM to bill the customer creating an unexpected obligation on them.

(2) Customer systems should be programmed to establish financial interface for the obligation based upon the DT status and legacy systems may be frozen preventing this from occurring.

6. IMPACT:

a. Data Content/Procedures/Publications: MILSTRIP/DLMS and Component implementing publications. DLMS X12 format 870S or MILSTRIP AE_ applies.

b. Automated Processes: The specific example identified above targets DLA; however, all DOD requisition related applications are impacted if the new status code is issued. BSM and Component systems will require modifications to handle the new status DT. This new code will support all DLA-managed materiel and implementation will begin at DLA BSM. DT status may be created by any Component supply source when applicable. Component applications may not recognize the DT status pending implementation; however, the status will be available in WebVLIPS for research. DLA billing under this business process will not be dependant upon Component implementation of the new status code.