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

SUBJECT: Approved Defense Logistics Management System (DLMS) Change (ADC) 372, Request for Discrepancy Indicator Code to Identify 527R Material Receipt Acknowledgement (MRA) Generated Based on “Virtual Receipt” to Support Navy BRAC SS&D/IMSP (Supply/Finance) (Staffed as PDC 389)

The updated DLMS Supplements will be posted to the Defense Logistics Management Standards Office (DLMSO) Web site http://www.dla.mil/j-6/dlmso/elibrary/TransFormats/formats.asp in conjunction with other related changes supporting the Navy Base Realignment and Closure (BRAC) Retail Supply, Storage and Distribution (SS&D)/Inventory Management and Stock Positioning (IMSP) implementation (including PDC 366A). It is anticipated that the finalized DLMS Supplements will be available in June.

DLA J-33 will provide procedures for the Navy BRAC SS&D/IMSP processes for inclusion in DOD 4000.25-M, DLMS, Volume 2. Depending on DLA’s approach, the overall procedures will either be published under a separate ADC as a chapter to the DLMS manual, or specific procedures for each process may be published as addendums to the various Navy BRAC SS&D/IMSP ADCs.

Addressees may direct questions to the DLMSO points of contact Ms. Mary Jane Johnson, Supply PRC Co-chair, email: Mary.Jane.Johnson@dla.mil, and Mr. Robert Hammond, Finance PRC Chair, email: Robert.Hammond@dla.mil. Others must contact their Component designated Supply PRC or Finance PRC representative.

DONALD C. PIPPP
Director
Defense Logistics Management Standards Office

Attachment

cc:
ADUSD(L&MR)SCI
Supply and Finance PRC members for remaining DOD Components
Joint Physical Inventory Working Group
ATTACHMENT TO ADC 372
Request for Discrepancy Indicator Code to Identify 527R MRA Generated Based on “Virtual Receipt” to Support Navy BRAC SS&D/IMSP (Supply/Finance)

1. ORIGINATOR:
   a. Service/Agency: Defense Logistics Agency (DLA)
   b. Originator: DLA J-331, 703-325-1924 (DSN 427)

2. FUNCTIONAL AREA:
   a. Primary: Supply/Logistics.
   b. Secondary: Finance

3. REFERENCES:
   a. Functional Requirements for DLA’s implementation of the Base Realignment and Closure (BRAC) Retail Supply, Storage and Distribution (SS&D)/Inventory Management and Stock Positioning (IMSP)
   b. DLMSO memorandum, May 6, 2010, subject: PDC 366A, Procedures and Additional Data Content supporting Requisitions, Requisition Alerts, and Unit of Use Requirements under Navy BRAC SS&D/IMSP (Supply/Finance)
   d. AT&L Memorandum transmitted April 21, 2010, subject: Proposed Changes in support of Navy BRAC IMSP Spiral II. This memo documents ADUSD(L&RM)SCI direction provided to DLA and Navy authorizing immediate implementation of this DLMS change.

4. REQUESTED CHANGE: Significant revisions subsequent to PDC 389 staffing are highlighted in yellow.
   a. Description of Change:

      1) This change request is for the assignment of a new Discrepancy Indicator code for use on DLMS 527R standard transactions indicating the Materiel Receipt Acknowledgement (MRA) is the result of a virtual receipt being posted in a Navy Maintenance system (Material Access Technology (MAT), or Material Resource Planning (MRP) II (MRPII)).

      2) This change allows 527R MRA transactions which are generated from the Navy ‘virtual’ receipt process to include an MRA Discrepancy Indicator code to facilitate recognition by external parties (e.g., logistics response time (LRT), perfect order fulfillment (POF), etc.).

   b. Background:

      1) As a result of the 2005 BRAC decision, retail supply, storage and distribution functions and associated infrastructure supporting the Navy industrial/maintenance sites will transfer to DLA. The Navy sites consist of 2 Naval Shipyards (NSYs) and 3 Fleet Readiness Centers (FRCs). The intent of the directive is to significantly improve combat effectiveness while reducing costs by developing a world-class, cost-effective supply chain focused on readiness; taking every opportunity to eliminate waste, reduce touches, reduce cost, and improve readiness.
2) The BRAC SS&D IMSP solution greatly complicates the NSY/FRC material and financial interfaces because it takes the material receiving/issuing function out of NSY’s MAT and FRC’s MRP II, and places that function in DLA’s Distribution Standard System (DSS) as the DLA “System of Record”. This is a problem because DSS is not integrated with NSY/FRC internal material/financial functional interfaces.

3) By design, DSS is a material storage and distribution system for wholesale/retail inventory owned by numerous wholesale/retail inventory managers. Accordingly, a materiel release order (MRO) (940R/A5_), directed by DLA Enterprise Business System (EBS) to DSS for issue, results in an issue to the customer and a materiel release confirmation (MRC) (945A/AR_) sent back to EBS to record the Defense Working Capital Funds (DWCF) sale. However, DSS currently does nothing for the processing of that DSS issue as a material receipt into the MAT or MRP II to close the NSY/FRC material order due and update the financial systems. The dilemma is that while DSS issues the material on behalf of EBS, it cannot receive (527R Receipt) the issued material for MAT/MRP II, create the customer MRA (527R/DRA) acknowledging the materiel receipt for release to EBS, and update the NSY/FRC financial systems.

c. Process Description (associated process flows provided to DLMSO in April 2010 are at the enclosure, updated flows were not available to DLMSO to incorporate at the time this ADC was published):

1) NSYs and FRCs have scheduled maintenance periods dictated by JCS, NAVSEA and NAVAIR requiring material to be on-hand in ready for issue condition for the artisan to begin and complete the maintenance on time. NSY and FRCs employ a fully integrated production planning/execution and material ordering/receiving IT system. Production plans work packages, and the supply personnel orders, receives/stages and issues material to production to support work package execution. Material orders, receipts and issue actions are internally linked to NSY and FRC financial systems, such that orders, receipts and issues trigger the obligation and expenditure of NSY/FRC funds and the establishment of Accounts Payable to pay the bills of material providers.

2) DLA EBS will purchase materiel and DLA DSS will receipt it into DLA ownership based on requirements submitted to DLA on a Requisition Alert (PDC 366A) or funded requisition. When material is to be issued to an artisan, Navy will submit a funded requisition to DLA to ‘call-out’/issue the material. EBS will source the request based on asset availability. The first fulfillment source for funded requisitions from the Navy BRAC SS&D customers is the local DSS industrial activity (IA) worksite where the customer is physically located and the second will be a site within the DLA network.

3) Issues from the Local DSS IA Work Site: Material issued from the Local DSS IA Work Site to the artisan consists of DLA owned (EBS) and Navy owned (NSY/FRC or NAVICP) material. NOTE: DLMSO strikethrough based on the flows DLA-NAVY provided (see enclosure), where it appears that virtual MRA only applies when Navy is sending a funded order for DLA materiel. PDC was staffed with strike-through, and Navy and DLA concurred with PDC.

(a) After material is issued and shipped from DSS, the 856S Shipment Status is generated containing the shipping depot DoDAAC. Based on the Local DSS DoDAAC, MAT/MRP II will recognize the 856S (AS_/AU_) as notification that NSY/FRC ordered material has been issued from the DSS IA Work Site (inside the NSY/FRC fence). MAT/MRP II will update the customer record with

---

1 PDC 366A (reference 3b) provides procedures and content for the requisition alert transaction. The requisition alert allows Navy BRAC IMSP sites to notify DLA of their requirements in advance of the funded requisition, thereby allowing DLA to procure and position materiel appropriately to support prompt order fulfillment.
shipment status and hold the 856S pending receipt of the 870S with “PD” status (refer to PDC 406²). MAT/MRPII will not create the MRA (527R/DRA) until this delivery status is provided by DSS.

(b) As a result of the existing Local Manifest function, DSS will provide delivery information to MAT/MRP II through the use of supply status 870S (AE_). The unique “PD” status code indicates delivery of material from the DSS IA worksite to the artisan.

(c) MAT/MRP II will process the 870S (AE_) with “PD” delivery status and converts the transaction information into receipt transactions for MAT/MRP II. This process results in creation of financial transactions to update COST or DIFMS as required. This process will also generate a MRA, DLMS 527R (DI Code DRA functionality), reflecting a new discrepancy indicator code informing the receiving entity that this transaction was generated as a result of the BRAC SS&D sites virtual receipt process. Since this MRA is generated systemically, a subsequent supply discrepancy report (SDR) is still possible when material is examined by the artisan or production controller.

4) Issues from the DSS Network sites or Service/GSA Warehouse Activities:
NSY/FRC requested material consists of 511R with Use Codes. The “E” Use Code request indicates immediate delivery. Other than “E” Use Code requests indicates that DSS should receive and store arriving material as Navy IA owned (placed in custody storage for future issue).

(a) When 511R “E” Use Code material arrives at the Local DSS IA Work Site, a local manifest is opened in DSS. DSS then creates an 870S (AE_) with “PA” (PDC 406) status and sends it to the Defense Automatic Addressing System Center (DAASC).

(1) MAT/MRP II will receive the 870S (with “PA” status) from DAASC, update the customer records and hold it pending receipt of the 870S with “PD” status (see PDC 406). MAT/MRPII will not create the MRA 527R/DRA until this delivery status is provided by DSS. Upon material delivery and closure of the local manifest, DSS will provide supply status 870S/AE_ with “PD” status code indicating delivery of material to the artisan.

(2) MAT/MRP II will process the 870S (AE_) with “PD” delivery status and converts the transaction information into receipt transactions for MAT/MRP II. This results in creation of financial transactions to update COST or DIFMS as required. This process will also generate a DLMS 527R MRA reflecting a new discrepancy indicator code informing the receiving entity that this transaction was generated as a result of the BRAC SS&D sites virtual receipt process. Since this MRA is generated systemically, a subsequent SDR is still possible when material is examined by the artisan or production controller.

(b) When 511R other than “E” Use Code material arrives at the Local DSS IA Work Site, DSS will receive and store the material as Navy IA owned. DSS will then generate a receipt 527R (D4_/D6_) and send it to DAASC. MAT/MRPII will receive the 527R (D4_/D6_) receipt from DAASC and updates customer and financial records based on processing the 527R (D4_/D6_). This process will also generate a 527R Material Receipt Acknowledgement (MRA) reflecting a new discrepancy indicator code informing the receiving entity that this transaction was generated as a result of the BRAC SS&D sites virtual receipt process. Since this MRA is generated systemically, a subsequent SDR is still possible when material is examined by the artisan or production controller.

2 PDC 406 (reference 3c) defines 870S Supply Status Codes “PA” and “PD” for Material Arrival and Delivery Status. PDC 406 definition of Status Code ‘PD’ as staffed is: ‘PD – Item has been physically delivered to the artisan by the local industrial activity worksite. Applies to DLA/Navy BRAC SS&D/IMSP procedures’.
kind, count and condition check prior to placing in storage, therefore any 527R MRA which MAT/MRPII generates as a result of the receipt transaction will not reflect the new discrepancy indicator code. [ASpry/DLA verified with JKill/Navy 5/19/2010.] NOTE: DLA provided the update for this paragraph.

5) In all instances, when applicable, the DLMS 856S (AS_/AU) Shipment status or the 870S (AE_) Material Receipt and Delivery Supply Status will reflect the NSN and LSN associated with unit of use on transactions generated from DSS to MAT / MRPII. MAT and MRPII will use the appropriate NSN or LSN and unit of use or unit of issue based on the qualifiers reflected on the inbound transactions.

d. Detailed Procedures:

1) Requires update to DOD 4000.25-M, DLMS, to add procedures for the Navy SS&D/IMSP virtual receipt and MRA process described in this PDC. DLA J-33 to provide procedures for inclusion in the DLMS manual, Volume 2. Also requires J-33 update to address SDR timeframe since the virtual receipt and corresponding virtual MRA is generated systemically; a subsequent SDR may follow since the virtual receipt was not based on physical receipt by kind/count/condition. SDRs associated with virtual receipt may require longer SDR timeframes

2) Revise DLMS Data Dictionary data identifier 1270 qualifier ‘EI’, and MILSTRAP Appendix 2.17, Discrepancy Indicator Codes to add a new code value as follows:

<table>
<thead>
<tr>
<th>CODE</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>V</td>
<td>MRA is based on a systemic virtual receipt. MRA is generated from virtual receipt transaction which the Navy industrial site (Navy Shipyard/Fleet Readiness Center) created from a Supply Status transaction (DLMS 870S) with Status Code ‘PD’. Authorized for Navy and DLA use in DLMS 527R MRA under Supply, Storage and Distribution/Inventory Management and Stock Positioning (SS&amp;D/IMSP). Refer to ADC 372.</td>
</tr>
</tbody>
</table>

NOTE: Definition of Discrepancy Indicator Code V as staffed had recognized that Navy also generated MRA with the virtual receipt indicator for MRA resulting from a DSS 527R receipt transaction, as was originally described in paragraph 4.c.4)(b) above. Subsequent DLMSO/DLA discussion on 5/19/2010 confirmed that the DSS receipt process addressed in that paragraph included kind/count/condition verification; therefore use of the ‘virtual receipt’ indicator in the associated Navy generated MRA transaction was not appropriate. Accordingly, DLA updated paragraph 4.c.4)(b), and the definition of Discrepancy Indicator Code V, for incorporation in this ADC.

5. DAASC MAPPING: Update DAASC to allow new data to pass any applicable edits.

6. ALTERNATIVES: None identified.

7. REASON FOR CHANGE:

a. New ‘virtual’ receipt process developed for Navy BRAC Industrial sites does not involve a physical receipt of material into Navy ownership. DSS is not integrated with NSY/FRC internal material/financial functional interfaces. MAT/MRP II must “feed” transactions based on orders, issues and receipts to their supporting financial systems in order to maintain the funds availability and the material costs associated with production. The systems used at these sites still have requirements to update their financial systems (DIFMS and Cost) with issue and receipt data.

b. Assigning a new discrepancy indicator value to identify 527R MRA transactions generated from the posting of a virtual receipt provides the ability to differentiate those MRAs from MRAs resulting from a customer physically examining and receipting materiel.
8. ADVANTAGES AND DISADVANTAGES:

a. Advantages:

(1) This code in the MRA transaction provides the ability to recognize MRA triggered based on Navy’s virtual receipt process.

(2) Provides all DoD Components the ability to track these MRAs and match up to any SDR which may be subsequently submitted by end user.

b. Disadvantages:

(1) Complicates measurement of perfect order fulfillment using the MRA as discrepant receipts will not be discernable when the “Virtual MRA” (MRA generated by virtual receipt process) is employed.

(2) Skews Logistics Metrics Analysis Reporting System (LMARS) pipeline measurements/ performance. Normally, a physical receipt/MRA closes out the pipeline; in this process an MRA based on virtual receipt will serve as the pipeline closeout via systemic means, vice physical receipt acknowledgement. Result will be an artificially low LRT.

(3) Requires new SDR processing logic to allow expanded submission timeframes when the Virtual Receipt/MRA process is employed due to the potential for the delay in identifying discrepancies. Revised SDR processing requirements/timeframes have not yet been proposed.

9. POLICY: ADUSD(L&MR)SCI policy decision provided to Navy and DLA for MRA based on Navy ‘virtual’ receipt: “Proceed; however, ensure process is in place to measure perfect order fulfillment as the MRA will no longer indicate discrepant receipts.”

10. ESTIMATED TIME LINE/IMPLEMENTATION TARGET: DLA and Navy testing will begin June 2010. Target implementation is December 2010.

11. IMPACT:

a. Publications:

(1) Requires update to DLMS Data Dictionary data element ID 1270 qualifier ‘EI’ to add a new value to the Discrepancy Indicator Codes. Corresponding change required for MILSTRAP Appendix 2.17, Discrepancy Indicator Code.

(2) Requires update to DOD 4000.25-M, DLMS, Volume 2, to add procedures for the BRAC SS&D/IMSP process described by this PDC.

b. Automated Information Systems (AIS): DLA EBS, DLA DSS, and applicable Navy systems must recognize/process a new code value

c. DLMS Data Elements: No new DLMS data elements are being added by this change. A new code value is being added to an existing data element ID 1270 qualifier ‘EI’ Discrepancy Indicator Code list. Existing code is used in 527R.
### 12. COMMENTS TO PDC 389 provided below:

<table>
<thead>
<tr>
<th>ORGANIZATION</th>
<th>RESPONSE</th>
<th>DISPOSITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAVY NAVSUP (4/28/10)</td>
<td>Navy concurs with PDC 389 as written and submits no additional changes or amendments.</td>
<td>Noted.</td>
</tr>
<tr>
<td>DLA DLA HQ J-33 (4/30/10)</td>
<td>DLA concurs. We will be working this change under our IMSP Spiral 2 Build.</td>
<td>Noted.</td>
</tr>
<tr>
<td>AIR FORCE</td>
<td>Air Force concurs with PDC as it does not affect AF supply processes.</td>
<td>Noted.</td>
</tr>
<tr>
<td>MARINE CORPS</td>
<td>Concurs without comment</td>
<td>Noted.</td>
</tr>
<tr>
<td>USTRANSCOM</td>
<td>Abstains</td>
<td>Noted.</td>
</tr>
<tr>
<td>WAWF and IUID Office Contractor Support</td>
<td>No impact to Wide Area Workflow (WAWF) or the item unique identification (IUID) Registry and government furnished property (GFP) Hub</td>
<td>Noted.</td>
</tr>
<tr>
<td>DLMSO (Ms. Heidi Daverede)</td>
<td>The virtual receipt process will skew LMARS pipeline performance, since pipeline closeout will occur based on a systemic receipt, vice a physical receipt. Result will be an artificially low LRT.</td>
<td>Added comment to ADC 372 disadvantages paragraph.</td>
</tr>
<tr>
<td>DLMSO (Johnson/Vitko)</td>
<td>DLMSO questioned use of the virtual receipt indicator for MRAs which Navy generated as a result of the DSS receipt transaction/process which included kind/count/condition (refer to paragraph 4.c.4)(b) of this ADC)</td>
<td>DLMSO discussed with DLA 5/19/10 and agreement reached that indicator did not apply to this paragraph. DLA confirmed this with Navy 5/19/10. DLA updated paragraph 4.c.4)(b) and the Discrepancy Indicator Code V definition for ADC 372 accordingly.</td>
</tr>
</tbody>
</table>

Enclosure
1a. User requests material in MAT A0_. Funded document created, MAT sends funded obligation request to COST and 940S via DAASC to DSS. The A0_ funded requisition and picklist information gets sent to PS I/O F -> 1a1, Picklist & Staging Process
1a1. PS I/O F pushes the 511R funded document or the 527R DRA to DAASC. -> 2, 9
1b. User requests material in MRP II and is captured by IF5 -> 1b1
1b1. IF5 creates a DLMS format 511R (A0_), validates funding availability in DIFMS and creates and sends 940S Pick List via DAASC to DSS IA Worksite -> FI, 2, Picklist & Staging Process
2. DAASC receives, validates and routes the 511R to EBS -> 3
3. EBS receives and processes the 511R -> 4
4. EBS directs shipment via 940R, forwards to DAASC -> 5
   - EBS provides status -> Status Process
   - EBS provides inventory On Hand Update
5. DAASC receives, validates and routes the 940R to DSS IA worksite ->6
6. DSS IA worksite receives and processes 940R ->6a
6a. DSS IA worksite retrieve picklist or JO/KO from DSS table -> 6b
6b. DSS IA worksite picks, packs by picklist or JO/KO listing -> 6c, 6d
6c. DSS IA worksite delivers material to Artisan and generates 870S (AE_) with Delivery Status "PD" to DAASC -> 7b
   Note: For NSYs, 870S with “PD” status will indicate badge number of artisan who accepted delivery.
6d. DSS IA worksite provides shipment status in the form of an 856S (AS_), and Material Release Confirmation in the form of 945A (AR_) to DAASC -> 7a, 7b, Status Process

9.1 continued on next page...
7a. DAASC receives and passes Material Release confirmation in the form of 945A (AR_) to EBS -> 7a1
7a1. EBS receives Material Release Confirmation (945A (AR_)) and generates interfund billing to customer ->END
7b. For MAT, DAASC will distribute the 856S (AS_) and the 870S (AE_) with "PD" to the NSY Pull Queue ->8b
   For MRP II, DAASC will distribute an 856S (AS_) and an 870S (AE_) with "PD" to MRP II through IF13 ->8a
8a. IF 13 will receive the 856S and 870S with PD status and process the 870S. This creates the virtual receipt to MRPII, which creates and sends the 527R (DRA) to DAASC → 1a1,9
8a1. Virtual receipt updates the DIFMS for MRP II ->END
8b. PS I/O F will pull the 856S (AS_) and 870S (AE_) with "PD" from the DAASC NSY Pull Queue and pass into MAT ->8b1
8b1. MAT receives the 856S (AS_) and 870S (AE_) with "PD", and updates MAT and COST. This creates the virtual receipt in MAT, which creates and sends the 527R (DRA) (could be multiple on same Doc#) that is sent to the PS I/O F, which pushes the 527R (DRA) to DAASC → 1a1,9
9. DAASC receives, validates and routes the 527R (DRA) to EBS ->10
10. EBS receives 527R (DRA) data and updates sales order appropriately -> End
1a. User requests material in MAT A0_ (511R) Funded document created, MAT sends funded obligation request to COST.
The A0_ funded requisition gets sent to PS I/O F -> 1a1, Picklist & Staging Update Process
1a1. PS I/O F pushes the 511R to DAASC -> 2a
1b. User requests material in MRP II and is captured by IF5 -> 1b1
1b1. IF5 creates a DLMS format A0_ (511R) , validates funding availability in DIFMS and creates and sends Pick List to DSS IA Worksite -> FI, 2a, Picklist & Staging Update Process
2a. DAASC receives, validates and routes the 511R to EBS -> 2b
2b. EBS receives and processes the 511R -> 3a
3a. EBS determines material availability; directs shipment via 940R and forwards to DAASC -> 3b, Status Process
3a1. EBS backorders request when material is not available and provides status -> Status Process
3b. DAASC receives, validates and routes the 940R to the appropriate storage activity -> 3c
3c. Storage activity receives and processes 940R -> 4a
4a. Storage activity picks, packs and ships the material. Material Release Confirmation and Shipment status are passed to DAASC -> 4b, 4a1, Status Process
4a1. DSS IA Worksite physically receives material -> 5a
4b. DAASC receives Material Release Confirmation, 945A (AR_) and passes to EBS-> 4c
4c. EBS receives Material Release confirmation and generates Interfund billing to customer -> END
5a. DSS queries picklist table to receive picklist & staging updates-> 5b
5b. DSS will use logic to check picklist to determine to store or deliver of material to the Artisan . > 5b1 or 5b2
5b1. If the picklist line does not reflect “E” use code, DSS IA worksite stores the material in Custody Storage to await callout by Artisan and generates 527R (D6A) to DAASC -> 6a

9.2 continued on next page…
5b2. For all picklists lines with E use code DSS will
• consolidate material
• create local manifest
• generate an Arrival Notification Status (870S) for assets received from network site->5c, 6a
  • Additional delivery information will be obtained from picklist table
5c. Upon delivery or system parameters, local manifest will be closed and generate an Delivery Notification Status (870S)
to DAASC-> 6a
  • DSS will obtain signature confirmation or badge number when required
6a. DAASC receives the Material receipt, 527R (D6_) or 870S Arrival and Delivery Notification Status -> 6a1, 6a2
  • For MAT, DAASC will put the 527R (D6_) or 870S Arrival and Delivery Notification Status in NSY Pull Queue
6a1. IF13 will receive and process 870S, Arrival and Delivery Notification Status and completes due in MPRII and sends
trigger to update DIFMS and creates the 527R (DRA) to DAASC -> 7, 8
  • For MAT, DAASC will put the 527R (D6_) or 870S Arrival and Delivery Notification Status in NSY Pull Queue and pass to MAT -> 6a3
6a2. PS I/O F will pull the 527R (D6A) and the 870S, Arrival and Delivery Notification Status from the DAASC NSY Pull
Queue and pass to MAT -> 6a3
6a3. MAT receives the 527R (D6A) and the 870S; updates MAT and COST, and creates the 527R(DRA) that is sent to the
PS I/O F, which pushes the 527R(DRA) to DAASC ->7a
7a. DAASC receives, validates and routes the 527R (DRA) to EBS ->7b
7b. EBS receives 527R (DRA) data and updates sales order appropriately ->END
8. IF14 receives the trigger and updates DIFMS for MRP II -END