



**DEFENSE LOGISTICS AGENCY**  
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Corrected date: January 19, 2016

**MEMORANDUM FOR SUPPLY, FINANCE, AND SUPPLY DISCREPANCY REPORT  
(SDR) PROCESS REVIEW COMMITTEE (PRC) MEMBERS**

**SUBJECT:** Approved Defense Logistics Management Standards (DLMS) Change (ADC) 1160, Procedures for Recommending and Authorizing Credit for Validated SDRs, Associated Reply Code Revisions, and Required use of the Reason for Reversal Code in Issue Reversals (Finance/Supply/SDR)

The attached change to DLM 4000.25, Defense Logistics Management Standards, is approved for expedited implementation. DoD WebSDR and Component SDR systems must be updated to support use of new and revised SDR reply codes for joint implementation on April 1, 2016. The new issue reversal reason codes are authorized for staggered implementation; expedited implementation by DLA Distribution is requested. The updated DLMS Implementation Conventions (IC) will be posted to the Defense Logistics Management Standards Office Web at [www2.dla.mil/j-6/dlms0/elibrary/TransFormats/140\\_997.asp](http://www2.dla.mil/j-6/dlms0/elibrary/TransFormats/140_997.asp), within 10 days from the above date.

Addressees may direct questions to Ms. Ellen Hilert, DOD SDR System Administrator, e-mail [ellen.hilert@dlamilitary.mil](mailto:ellen.hilert@dlamilitary.mil), Ms. Mary Jane Johnson, DOD MILSTRAP Administrator, email [mary.jane.johnson@dlamilitary.mil](mailto:mary.jane.johnson@dlamilitary.mil), or Ben Breen, SDR Alternate, e-mail [benjamin.breen@dlamilitary.mil](mailto:benjamin.breen@dlamilitary.mil). All others must contact their Component designated Supply PRC representative or SDR Subcommittee representative available at [www2.dla.mil/j-6/dlms0/CertAccess/SvcPointsPOC/allpoc.asp](http://www2.dla.mil/j-6/dlms0/CertAccess/SvcPointsPOC/allpoc.asp)

DONALD C. PIPP  
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Attachment  
As stated

cc:  
ODASD (SCI)  
JPIWG

**Attachment to ADC 1160**  
**Procedures for Recommending and Authorizing Credit for Validated SDRs,  
Associated Reply Code Revisions, and Required use of the Reason for  
Reversal Code in Issue Reversals**

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

**a. Technical POC:** Ms. Ellen Hilert, DOD SDR System Administrator, 703-767-0676 or DSN 427-0676, e-mail: [ellen.hilert@dla.mil](mailto:ellen.hilert@dla.mil)

**b. Functional POC:** Ms. Ellen Hilert, DOD SDR System Administrator, 703-767-0676 or DSN 427-0676, e-mail: [ellen.hilert@dla.mil](mailto:ellen.hilert@dla.mil)

**2. FUNCTIONAL AREA:** Receipt/SDR/Finance

**3. REFERENCES:**

**a.** [DLM 4000.25, Defense Logistics Management Standards \(DLMS\), Volume 4, Military Standard Billing System – Finance.](#)

**b.** Defense Distribution Center Materiel Accountability Division Notification, Count on This (CoT) for January 2015

**c.** “D7 Reversals Kickoff Discussion” conference call sponsored by DLA Oversight and Compliance/Audit Readiness Service Provider Team, March 27, 2015

**d.** [DLM 4000.25-2, Military Standard Transaction Reporting and Accountability Procedures \(MILSTRAP\), Chapter 9, Rejection, Routing, and Reversal of Transactions](#)

**e.** [ADC 259](#), Revise DLMS Supplement (DS) 867I and MILSTRAP Issue Transactions to Support Navy Requirement for Reason for Reversal Code, November 9, 2007

**f.** [Request for Implementation Date for Approved MILSTRAP Change Letter \(AMCL\) 13](#), Partial Reversal of Select Transactions, MILSTRAP February 14, 2008

**g.** [ADC 280](#), PQDR/SDR/TDR Credit Tracking, August 8, 2008

**h.** [ADC 403](#), Administrative Update to Identify MILSTRAP Transactions Authorized for Reversal, April 25, 2011

**i.** [DLM 4000.25, Defense Logistics Management Standards \(DLMS\), Volume 2, Chapter 17, Supply Discrepancy Reporting](#)

**4. APPROVED CHANGES:** Substantive updates subsequent to staffing are identified in green highlighting.

**a. Brief Overview of Change:**

(1) This change clarifies procedures for preparation of SDR replies when used to request/report a financial adjustment for a validated discrepancy. This change updates available SDR reply codes to separate the storage activity's recommendation for financial action from the source of supply(s) (SoS) reply to the customer indicating that an adjustment is being provided. The updated reply codes will discretely identify when credit is provided by reversal of the original issue.

(2) This change updates DLMS/MILSTRAP guidance for use of the issue reversal transaction. It establishes a requirement to include an issue reversal reason code for all Components as a DLMS enhancement and expands the scope of available codes beyond those currently used by DLA Distribution Centers in support of a Navy-unique requirement.

(3) This change updates Military Standard Billing System (MILSBILLS) procedures to formally document the option to provide credit to the billed activity for discrepant shipments prior to storage activity receipt of the returned discrepant materiel.

(4) In conjunction with this change, the requirement for generation of the prepositioned materiel receipt (PMR) for directed discrepant materiel returns and tracking for the return shipment are clarified.

**b. Background:**

(1) As a result of a DLA audit team recommendation, DLA Distribution temporarily discontinued use of the DLMS 867I Issue Reversal (Document Identifier Code (DIC) D7) as a mechanism to trigger credit on SDRs. In the absence of the issue reversal, it was believed that the SoS would be able to provide a financial adjustment using MILSBILLS procedures under DLM 4000.25, DLMS, Volume 4, Chapter 4 (Reference 3.a.) to provide the authorized credit as a DLMS 810L Logistics Bill (DIC FB1/GB1 Billing for Issue from Stock (Credit)).

(2) DLA Distribution provided notification of the (temporary) policy to terminate use of the issue reversal (Reference 3.b., Enclosure 9). DLA Distribution Centers use the issue reversal predominately in support of Navy, Air Force, and Marine Corps directed shipments. By processing the issue reversal, the financial system supporting the SoS would automatically provide the required credit. Without the issue reversal, the SoS is responsible for taking the necessary steps to ensure their financial system issues the customer's credit.

(3) Due to operational impact on the Services relying on the storage activity use of the issue reversal to provide credit where due and, as a byproduct of internal Service processing, to reinstate the original customer demand, the DLA audit team authorized a return of the original procedures pending further research. A meeting was subsequently convened (Reference 3.c.) during which the DLA audit team reviewed their reasons for concern with the issue reversal process. They explained that concern was predominately due to lack of documented governing procedures and lack of a clear audit trail, particularly on the DLA Distribution side. The Navy and Air Force explained their operational requirement for continued use of the issue reversal and clarified that issue reversal transactions are retained for audit purposes within the Service systems. In addition to automatically triggering the financial adjustment, use of the issue reversal systemically "resets" the original demand (with all its

associated attributes (e.g., urgency of need), within the requiring Service's supply system. DLMSO agreed to propose DLMS procedures to ensure that all relevant transactions clearly portray the underlying business process for a clear audit trail. This will require update to the SDR and issue reversal process.

**(a) SDR.** Currently, under DLMS SDR procedures, both the storage activity and the SoS use the same Reply Code 101 (credit recommended/authorized) on their action activity response. This is a multipurpose code, since its interpretation is dependent upon the Service/Agency and the scenario involved. Traditionally, most trading partners understood this, but with the sudden termination of issue reversals, those parties relying on the storage activity for that action to trigger credit processing were left without an understanding of the business process and the use of a multipurpose code adds to the confusion. After discussion with the SDR implementation team and, later, with those participating in the kick-off meeting, it was decided that it would be more appropriate to separate the codes representing the storage activity recommendation from the SoS authorization and processing of credit and to clearly indicate when an issue reversal applies. This will not only improve SDR communication among the storage activity, SoS, and customer, but will provide the desired audit history.

#### **(b) MILSTRAP Guidance**

**1.** Although the MILSTRAP (Reference 3.d.) authorizes the reversal of issue transactions, the DLA audit team pointed out that MILSTRAP provides no parameters for the intended use and there are no procedures for credit reversals tied to issue reversals. In the absence of more specific governing DOD procedures, the audit team looked for a Service-specific memorandum of agreement (MOA) to document the existing use of the issue reversal. However, no such MOA currently exists. During the kick-off meeting, the Services expressed a preference for updating DOD guidance in the belief that this will be sufficient to support the current practice.

**2.** It should be noted that MILSTRAP Chapter 7 does include specific guidance regarding the requirement for a proper audit trail for the research of 947I Inventory Adjustments (Accounting Errors) (legacy D8B/D9B functionality)<sup>1</sup>, as follows: "When subsequent research finds that the accounting adjustment was caused by an unposted, duplicate, or otherwise improperly posted transaction, a reversal of the accounting adjustment and (as appropriate) the incorrectly posted 'supply' transaction is required. The owner/manager will ensure that proper audit trails are maintained to reflect the posting of the correct supply transaction."

**(c) Issue Transaction Reason for Reversal Code.** ADC 259 (Reference 3.e.) expanded the DLMS reason for reversal code to establish codes for use with the DLMS 867I Issue transaction in support of a Navy legacy system requirement. However, it also documents concerns regarding continued use of the issue reversal by DLA Distribution Centers to support the Navy and Air Force as an alternative for using the SDR process and subsequent MILSBILLS procedures to provide credit where applicable (refer to ADC 259). The reasons for reversal codes established under ADC 259 are only applicable to the Navy. After discussion with the participants of the kick-off meeting, it was agreed that reason for reversal codes should

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<sup>1</sup> DLMS 947I Quantity or Status Adjustment Reason Code AB = Inventory Adjustment (Accounting Error). Gain or loss resulting from clerical or automated information system errors which are not subject to correction by reversal of original transaction, single adjustment. (MILSTRAP legacy DIC D8B or D9B functionality.)

be applicable to all Components for which the issue reversal is employed as a DLMS enhancement. Additionally, the current code set is insufficient to identify applicable situations for which the issue reversal is employed. It was agreed that these codes must clearly indicate the basis for the issue reversal so that all parties involved recognize this action and a clear audit history is preserved.

**(d) DLA Distribution Issue Reversal Process Rules.** The following overarching rules are observed under current procedures:

**1.** The issue reversal is authorized in response to validated SDRs identifying shortage, wrong item, and condition-related discrepancies.

**2.** The procedures are applicable to Navy, Marine Corps, and Air Force directed issues of materiel.

**3.** The only applicable use for Security Assistance is for Navy Foreign Military Sales.

**4.** For wrong item SDRs, the distribution center preparing the SDR reply directs the return of the wrong item received (SDR Reply Code 105) in conjunction with recommending/authorizing credit (SDR Reply Code 101). The DLA Distribution Center provides the customer return shipping instructions, a carrier tracking number, and the timeframe for the return via the SDR reply. The Distribution Center corrects its inventory balances immediately using DLMS 947I Inventory Adjustment (Physical Inventory)<sup>2</sup> transactions citing the Physical Inventory Error Classification Code **2L (Issue – Wrong Materiel Selected)** or 2M (Issue - Materiel Selected from Wrong Location). The immediate inventory adjustment gain is for the NSN of the requisitioned NSN (correct NSN) that was never actually shipped, and a corresponding inventory adjustment loss is processed for the wrong item that was shipped. The customer is expected to return the wrong item to the distribution center using the same document number as the original shipment with a different Transportation Control Number than it was originally shipped on; however, these procedures will apply if a different document number is used. The distribution center does not process the issue reversal until the return shipment for the discrepant materiel is received, where directed return applies. Since there is currently no PMR for these returns, the distribution center relies on the customer including the printed SDR with the return shipment to recognize that the materiel is associated with a discrepant return.

**5.** The issue reversal generated by the distribution center when the distribution center records the materiel return receipt to the owner's account actually causes the storage activity inventory balance to be systemically adjusted unnecessarily resulting in an incorrect balance. This is because the prior adjustment in response to the SDR validation corrected inventory balances. The adjustment resulting from the issue reversal causes an increase to the inventory that must then be corrected by yet another manually submitted inventory adjustment to bring the inventory back into balance.

**6. Partial Issue Reversal.** A similar scenario applies to shipments containing mixed stock when the erroneous materiel is directed for return. Upon

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<sup>2</sup> DLMS 947I Quantity or Status Adjustment Reason Code AA = Inventory Adjustment (Physical Inventory). Gain or loss disclosed as a result of physical count of stock, single adjustment. (MILSTRAP legacy DIC D8A or D9A functionality.)

distribution center receipt of the incorrect materiel, the distribution center processes a partial reversal (rather than reversing the entire quantity issued, since a portion of the quantity shipped was correct).

**Staffing Note 1:** Although approved via AMCL 13, no official implementation date was established for the use of the partial reversal process (refer to Reference 3.f.). In response to original proposal, all Components are asked to confirm implementation status for the partial issue reversal and associated reversal edits and controls documented in AMCL 13, so that an updated ADC can be issued for this process and applicable procedures published in MILSTRAP.

- Navy: Navy implemented the partial reversal process documented in AMCL 13 in 2001.

- Marine Corps: The Marine Corps partially implemented the partial reversal process. The USMC wholesale system (Stock Control System) implemented partial reversal for DIC D8\_/D9\_ transactions, but does not execute partial reversal for issues of materiel. [See comment resolution for additional detail.]

- Air Force: Integrated Logistics System – Supply (ILS-S) does NOT do partial reversal, reversals are processed for the complete quantity and then re-processed with the correct quantity/condition/identity. ILS-S will not be implementing AMCL 13; however, will re-look when this is re-issued as an ADC.

- Army: The Army interface does not support issue reversal or use of the partial issue reversal.

- DLA Distribution: DLA Distribution confirmed that partial issue reversals are restricted to SDR returns for Navy and Air Force maintenance activities.

**7.** The above procedures are only applicable to SDRs submitted within SDR submission time standards and the original issue transaction is accessible (not archived). Issue records are normally available for two years, except at high volume distribution centers where they are accessible for reversal for one year.

#### **(4) Service Specific Background**

##### **(a) Air Force**

**1.** The Air Force uses the issue (DLMS 867I/legacy DIC D7\_) reversal process **only** in their retail supply system **and only for maintenance customers**. When a maintenance customer receives an item that is not correct, they will organizationally refuse the item. A local SDR is written and responded to by the local distribution center authorizing credit. It is only after the reversal and the property gets receipted back into DSS that the Air Force is alerted of this problem. The Air Force retail system does not bill internal customers through MILSBILLS/Interfund; therefore, Air Force requires the issue reversal to give the retail customer full credit. The reversal action reestablishes the customer's original demand and resets the associated logistics data. The issue reversal also ensures that credit is received on the same document number as the original issue. For DLA or other Service-managed items, a second SDR (using SDR Document Type Code 7) may then be prepared by DLA in support of the Air Force (under a DLA/Air Force Inter-Service/Agency Agreement). This SDR will be submitted to the SoS or shipping depot, as applicable. This second SDR uses an Air Force FB-series DoDAAC document number (rather than the Air Force maintenance non-standard document number). This part of the SDR process uses MILSBILLS processes when credit is provided to the Air Force requisitioning FB-series DoDAAC.

**2.** When Air Force materiel is issued for Air Force maintenance under the non-standard document number construct beginning with the letter “M” (rather than an Air Force Service/Agency Code), the issue reversal process is applicable to Air Force-directed issues. The Air Force maintenance document numbers beginning with the letter M cannot be used on an inter-Service basis. This document number construct is invalid under DOD rules. The Air Force has been requested to discontinue this practice.

**(b) Navy**

**1.** The issue (867I/D7\_) reversal process is a Financial Improvement and Audit Readiness (FIAR) compliant process that corrects inventory for the issuing activity and reverses a net price bill (internal Navy Enterprise Resource Program (ERP) system) movement type code 602/MILSBILLS DIC FA2 (for net price bill reversal) for the SDR originator. This ensures the originator is not erroneously billed for materiel not received, and ensures inventory accuracy is maintained while optimizing Fleet readiness. Without this process in place, the Fleet will incur both net price and carcass price bills as a result of issuer error. The goal of the SDR program is to ensure quality shipper performance and customer support; the issue reversal process is a vital component to the success of the program.

**2.** If the issuer does not process an issue reversal upon receipt of the discrepant material, the Fleet customer will incur a carcass charge against the reorder document number because they will be unable to use the carcass turn-in receipt already matched against the issue of the SDR document number. Under the SDR document number, the customer ordered NIIN A, was issued NIIN B, turned in NIIN A for carcass credit (to pay net price for the materiel as opposed to standard price). The Fleet customer still needs NIIN A. Therefore, the Fleet customer will reorder NIIN A under a different document number. If the issue isn't reversed for NIIN A under the original SDR document number, that carcass receipt cannot be used to match against the issue of the reorder document number. Therefore, a carcass charge will result under the reorder document number. If a timely issue reversal is not processed and a carcass bill sits under the reorder document number for more than two years (which unfortunately has occurred), the billing timeframes do not allow for carcass credit to be given.

**3.** Bottom Line: The issue reversal process is fully auditable in Product Data Reporting and Evaluation Program (PDREP) and the Navy ERP system. When the issue reversal is generated, the net price bill is reversed, the internal Navy ERP (SAP) Movement Type 601 (for goods issue in standard sales process) is reversed, and the outbound delivery is deleted. If the bill and bill reversal do not appear in MILS History for some reason, they can be seen in the Supply Billing Report. The internal Navy ERP (SAP) Movement Types 601 and 602 (for reversal of 601) are visible in transaction history. By viewing the document flow within the Sales Order, the delivery number, goods issue number, and billing documents are all visible as well.

**(5) WebSDR Background.** During discussion of the step-by-step processing of SDRs by the Navy, it became apparent that there were several misunderstandings of the WebSDR/PDREP interface and DLMS SDR processing. For clarification, the expected process flows are outlined here.

**(a)** A customer SDR for a DLA distribution center shipment should be submitted to the distribution center for initial processing. WebSDR will send an information copy to the SoS (when available in the original submission). The distribution center will validate



the discrepancy and transmit an SDR reply to the customer. WebSDR will send an information copy to the SoS (potentially added or updated by the distribution center). The SoS will normally confirm the distribution center response by repeating the reply codes previously used. The SoS may enhance the prior response with additional information. Alternatively, the SoS may correct the distribution center response by citing Reply Code 151 (replacement/revise disposition/status; prior response is superseded) and the appropriate reply code(s).

(b) In the above scenario, if the customer submits their SDR to the SoS instead of the distribution center, the SoS should forward the SDR to the distribution center. This is done by responding to the SDR with Reply Code 504 and identifying a new action activity. This will cause WebSDR to inform the customer via SDR reply that the SDR has been forwarded to the new activity and generate a new original report (Transaction Set Purpose Code 00) containing all the latest basic report information (if updated) for the new action activity.

**Staffing Note 2:** For many years WebSDR was unable to handle requests for Reply Code 504 forwarding when the original submission was established using Transaction Set Purpose Code 49 (Historical), indicating the SDR and reply were processed internal to the single SDR processing system external to WebSDR. In this scenario, the SDR system (e.g. PDREP) transmits the “historical” SDR as an image for WebSDR use in preparation of management reports, but standard WebSDR edits and transmission to other systems do not apply. In the absence of an original submission (Transaction Set Purpose Code 00), WebSDR was unable to process a forwarding action. The expectation was that an improperly addressed SDR submission would be rejected and the submitter directed to resubmit to the correct action activity. Capability to forward historical SDRs was identified as a planned improvement to SDR processing, but this functionality was not made available until June 19, 2015.

**Staffing Note 3:** If the SoS responds to the customer prior to transmitting the Reply Code 504 forwarding reply, the new action activity will have no visibility of this reply. Navy SoS personnel may be unaware of this and sometimes direct issue reversal via SDR reply (thinking the distribution center will receive a copy of their SoS reply). Subsequently, upon realizing that the reversal was not processed, the Navy SoS follows up with the distribution center for completion of their request. Forwarding to the distribution center after sending a customer reply causes confusion and delays since there is no business process to support transmission/processing of these replies to the distribution center (either in WebSDR or DSS). Training must be provided to ensure Navy (and possibly Marine Corps) SoS PDREP users are aware of the expected transaction flow.

(c) If the distribution center is unable to determine the appropriate resolution of an SDR, the distribution center will use the applicable 300-series reply code (e.g., interim reply; SDR forwarded to USN for disposition instructions or final resolution) to forward the SDR to the SoS. WebSDR will provide a copy of this reply to the customer and transmit the reply (with its clarifying reply remarks) to the SoS. The SoS may now reply to the submitter, but, as stated above, the distribution center will have no visibility of the SoS reply.

(6) **MILSBILLS.** MILSBILLS procedures document that financial adjustments associated with SDRs will occur when the discrepancy report is validated and directed returns, where applicable, are received. However, it is current DLA practice to grant credit upon validating the discrepancy and prior to the return, thereby allowing the customer to reorder, when required, without exceeding their budgetary restrictions. The SoS must then monitor for the directed return. If material is not received, the SoS will re-bill for the quantity not returned.



**1. Unique Item Tracking (UIT).** The procedures for DLA distribution center processing under the Navy depot-level reparable (DLR) UIT program include an exception prohibiting the use of the distribution center prepared issue reversals.

**Staffing Note 4:** Under PDC 1160, research was requested to understand the reason for this exception, determine if there is a broader implication for materiel requiring serialized item tracking under the DOD item unique identification (IUID) program, and integrate applicable procedures within this proposal. PDC 1160 requested the Navy provide additional clarification.

- The Navy has no documentation for the referenced UIT exception, and UIT is not a reason to prevent a DLA-issued reversal.

- After additional research it was determined that the DLA Distribution prohibition on issue reversal for Navy DLR UIT items was procedural and not systemic, as originally believed. As a result, the Navy confirmed that issue reversal for their DLR UIT program should be allowed.

- Prior to implementation, DLMSO recommended, and Navy agreed to pursue, a test to confirm that there are no unforeseen negative impacts on the UIT program when a DLR issue is reversed.

**c. Approved Change in Detail:**

(1) **SDR.** Revise the SDR reply code set as follows with the goal of using codes specific to the intent (rather than grouping the all variations under a single code). Refer to Enclosure 3.

(a) Add new 500-series interim Reply Code 525 for use by the storage activity to “recommend” to the SoS that credit be provided. This code must be used in combination with the existing 300-series forwarding reply code applicable to the SoS to clearly inform all parties that the responsibility for action has transferred to the SoS.

(b) Modify the current dual purpose Reply Code 101 explanation to restrict use for when credit is authorized. This code will be used by the SoS when issuing a financial adjustment under MILSBILLS; it will no longer be used by the storage activity. The restriction for use of Reply Code 101 by the SoS will be applicable to SDRs prepared after implementation of this ADC; therefore, it must be recognized by all parties that the dual interpretation for credit recommended/authorized remains in effect for SDRs prepared prior to the scheduled implementation date.

(c) Add new Reply Code 152 for use by the storage activity to indicate that credit will be provided as the result of an issue reversal.

**(2) Issue Reversal Reason Code**

(a) Revise the reason for reversal code set to establish new codes indicating reversal due to shortage, wrong item, unsuitable/unusable condition, or a reason not otherwise identified, inclusive of incorrectly entered data, e.g., transposed characters. Additionally, update to indicate mandatory DoD-wide use for these reasons (removing the current restriction for Navy use only) and to delete an obsolete Navy-use code. Refer to Enclosure 4.

**Staffing Note 5:** Navy to provide acceptable implementation date for removal of the obsolete Navy Issue Reversal Reason Code R.

- Navy Feedback: Navy Issue Reversal Reason Code R was removed when the last U2

system was subsumed into Navy ERP. However, Navy no longer supports the use of issue reversal reason codes. Navy ERP will need to be modified to support this data element under the ADC requirements.

(b) Incorporate issue reversal procedures in DLMS Volume 2 and MILSTRAP guidance to clarify authorized usage. The storage activity may generate the issue reversal to correct erroneous input or to reverse the original issue in response to a validated SDR for shortage, wrong item, or issue in an unsuitable condition requiring replacement. When used in response to a validated SDR, the reason reversal code must be included. This transaction will serve the dual purpose of re-instating the original demand within the requiring activity and will trigger credit for the original sale. It will be retained for audit history. Refer to procedures in Enclosures 1 and 2.

(3) **Prepositioned Materiel Receipt (PMR).** This change clarifies that the SoS must prepare a PMR for all directed returns to DLA Distribution Centers. This is required even when the distribution center has delegated authority to direct the return, as well as when the SoS directs the return. When the distribution center directs discrepant materiel return in conjunction with issue reversal, the SoS must monitor for the receipt of the discrepant materiel. If materiel is not returned, it is the responsibility of the SoS to follow-up by contacting the customer.

**d. Revisions to DLM 4000.25 Manuals:**

(1) DLM 4000.25, DLMS, Volume 2, Supply Standards and Procedures, revisions are shown at Enclosure 1.

(2) DLM 4000.25-2, MILSTRAP, chapter revisions (procedures) are shown at Enclosure 2.

(3) DLM 4000.25, DLMS, Volume 2, SDR code revisions are shown at Enclosure 3.

(4) DLMS implementation convention (IC) revisions are shown at Enclosure 4.

(5) DLM 4000. 25-2, MILSTRAP (and associated DLMS Data Dictionary entry), reason for reversal code revisions are shown at Enclosure 5.

(6) DLM 4000. 25-2, MILSTRAP, format revisions are shown at Enclosure 6.

(7) DLM 4000.25, DLMS, Volume 4, Military Standard Billing System – Finance, chapter revisions are shown at Enclosure 7.

**e. Process Flow:** Refer to Enclosure 8.

**f. Alternatives:** None identified.

## **5. REASON FOR CHANGE:**

**a.** This change will establish a more appropriate process for wholesale issues from stock and support DLA Audit Readiness.

**b.** This change provides guidance for recognizing the actions taken or required based upon the storage activity response and subsequent correct processing of financial adjustments, where applicable, resulting from supply discrepancies.

## **6. ADVANTAGES AND DISADVANTAGES:**

### **a. Advantages:**

(1) This change establishes specific SDR reply codes and associated procedures for use in providing credit for discrepant materiel.

(2) This supports visibility of authorized use of the issue reversal as a mechanism for issuing credit resulting from validated supply discrepancies.

### **b. Disadvantages:**

(1) Requires training for appropriate use of revised discrepancy codes and reversal reason codes.

(2) Components lacking an integrated logistics system may need to develop manual procedures to submit the PMR in response to a distribution center disposition reply directing return of discrepant materiel and to monitor for the receipt of this materiel.

## **7. ADDITIONAL COMMENTS TO CONSIDER:**

**a.** The necessary supply and financial transactions that must be used in place of issue reversals are fully supported by supply and finance systems where issues from wholesale stock apply. However, when DLA Distribution Centers issue below wholesale stock under direction of the Air Force to Air Force maintenance activities, the required MILSBILLS transactions to provide credit are not available at this time. Systemic interfaces are also not available to recognize that the original requirement has not been satisfied and must be re-instated.

**b.** Billing offices processing financial adjustments based upon SDRs should move forward with implementation of ADC 280 (Reference 3.g.) which also contributes to a clear audit trail by establishing Type of Bill Code WP (bill to adjust the amount previously billed due to approval of a SDR). A separate PDC supporting staggered implementation of this change is under consideration.

### **c. Timing of Issue Reversal Associated with Directed Returns of Discrepant Materiel**

(1) It may be appropriate to revise DLA Distribution internal procedures to prepare the issue reversal for validated SDRs concurrent with the SDR reply (when directed return of discrepant materiel is applicable), rather than delaying the issue reversal until the discrepant materiel is received. This would be applicable to Navy, Marine Corps, and Air Force SDRs as authorized by Component procedures, but would exclude Security Assistance SDRs.

This will provide immediate credit to the customer which is consistent with current practice for DLA-directed shipments and will eliminate the need for multiple inventory adjustments when the materiel is returned. The advantages of this approach are as follows:

(a) Customers (excluding Security Assistance) would receive credit immediately after a validated SDR is processed by the SoS, thereby minimizing financial impact of re-requisitioning the required materiel.

(b) DLA Distribution Centers will no longer need to process the “extra” inventory adjustment to maintain an accurate inventory balance. This is significant because the inflated number of inventory adjustments is misleading when assessing storage activity performance. There would also be a cost avoidance associated with eliminating the extra steps for the distribution center.

**Staffing Note 6:** Clarification of “extra” inventory balances: Inventory balances are corrected immediately upon investigation of the discrepancy. Subsequently, when discrepant materiel is returned and the distribution center processes an issue reversal, it systemically generates an inventory adjustment (gain) which causes the records to reflect an incorrect balance. The distribution center must then submit an inventory adjustment (decrease) to put records back into accurate balance.

**Staffing Note 7:** Under PDC 1160, Air Force, Navy, Marine Corps and DLA Distribution were requested to consider the above approach for immediate issue reversal when directing return of discrepant materiel in coordination with their audit readiness team to determine if this is worth pursuing. No significant feedback was received.

**d. Expanded DOD use of Reason for Reversal Code S.** Request Components evaluate expanded DOD-wide use of Reason for Reversal Code S currently restricted for Navy use. Provide feedback in response to this ADC. Navy uses Reason for Reversal Code S to identify reversal of an issue transaction when a cancellation request has been issued for a material/disposal release order (MRO/DRO) and the item was not yet shipped. Reversal requirement stems from a timing issue. The MRO/DRO is in process, the depot accountable balance has been decremented and the issue transaction has been sent to the ICP to decrement to the owner balance. Subsequent to this action, but prior to the material being physically shipped and a confirmation being generated, the MRO/DRO issue action is cancelled and the material is returned to stock, if necessary. A D7\_issue reversal transaction is then required to increment the depot's accountable balance and the ICP's balance to the original quantity.

e. Consider expanding use of the reason for reversal code to the other DLMS transactions that can be reversed. As a minimum, consider a code for reversal due to erroneous entry (e.g., transposed digits when entering transaction), which is the common reason for reversing a transaction.

## **8. ESTIMATED TIME LINE/IMPLEMENTATION TARGET:**

**a. Reply Code Revisions.** All systems interfacing with WebSDR must update their internal reply code table for joint implementation on April 1, 2016. The combination of Reply Code 525 (Discrepancy validated by storage activity; credit recommended) and the 300-series forwarding reply must be implemented by DLA Distribution Centers for wholesale level issues as soon as these codes become available. DLA Distribution Centers must terminate use of Reply Code 101 (Credit authorized by SoS/manager) and transition to use of Reply Code 152

(Discrepancy validated by storage activity; credit processing associated with issue reversal) as soon as Reply Code 152 becomes available.

**b. Issue Reversal Reason Codes.** Services/Agencies must provide implementation timeline for expanded use of issue reversal reason codes. DLA Distribution Center implementation must be expedited for audit readiness. Expedited implementation is requested for those Services relying on DLA Distribution Center issue reversal processing for discrepant systems. At the latest, this process must be implemented by systems receiving the issue reversal for DLMS compliance by December 2019.

**c. Staggered implementation and Transaction Services Processing Requirements.** In order to allow a staggered implementation of the reason for reversal codes within Component systems, the implementation plan is to use Defense Automatic Addressing System (DAAS) mapping to either perpetuate or drop the issue reversal code based upon Component capability and DLMS implementation status. This will allow the storage activity to apply the correct values while only perpetuating to the Component recipient when their system can support the reason for reversal data element and/or code values or the inclusion of the reason for reversal code does not negatively impact transaction processing. Unless otherwise requested by the Component, DAAS will perpetuate the reason for reversal to DLMS formatted transactions and drop the value during conversion to legacy formatted transactions.

**9. ESTIMATED SAVINGS/COST AVOIDANCE ASSOCIATED WITH IMPLEMENTATION OF THIS CHANGE:** Not available. This change is recommended by the DLA Audit Readiness Team.

## **10. IMPACT:**

**a. New DLMS Data Elements:** None identified.

**b. Changes to DLMS Data Elements:** Revise SDR reply codes as shown in Enclosure 3. Revise reason for reversal codes as shown in Enclosure 5.

**c. Automated Information Systems (AIS):**

(1) All Component SDR systems must recognize SDR reply code updates as indicated. In addition, Component applications must recognize reason for reversal codes identified in issue reversals.

(2) Systemic support for creation of PMRs and monitoring for receipt of directed returns must be developed.

**d. Transaction Services:**

(1) WebSDR must adopt SDR reply code updates as indicated. No new edits on use of reply codes is requested at this time.

(2) DAAS mapping for the issue reversal reason code to be updated for the approved change based upon Component response to implementation requirements. Current mapping is shown for clarification. Refer to staggered implementation plan discussed in paragraph 8.

**867 I PRODUCT TRANSFER AND RESALE REPORT  
D7/DZK BG1/BG2**

<i>Field Name</i>	<i>Record Position (DLSS)</i>	<i>Conditions</i>	<i>DLMS Data Element</i>	<i>Table</i>	<i>Updated</i>
Reason for Reversal Code	80	If RP1-2=D7 and RP4=N, P, Q, R and RP80=S, B, R	LQ01=Z LQ02=RP 80	2	ADC 259 7/20/09

e. **Non-DLM 4000.25 Series Publications:** Revision will be required to update internal operating and training procedures.

**11. PROPOSED DLMS CHANGE (PDC) 1160 STAFFING RESPONSE/COMMENT RESOLUTION:**

	<b>Originator</b>	<b>Response/Comment</b>	<b>Disposition</b>
1.	Marine Corps	<p>Concur with comment: MCSC Supply is already in compliance. In response to the Staffing Note on partial reversal the Marine Corps provided the following information (including specific questions and answers as shown):</p> <p>The Marine Corps has partially implemented the partial reversal process. The USMC wholesale system (Stock Control System) has implemented partial reversal for D8/D9 transactions, but does not execute partial reversal for issues of materiel.</p> <p>Our retail systems have not implemented the partial reversal.</p> <p>Q1: Do you know what happens if DSS sends a partial reversal for a D7 to wholesale (based upon DSS feedback, it seems like they are generating these to MPB for credit after validating an SDR for shortage). A1: SCS does not permit outside entities from submitting financial adjustments (D7*) to the Navy Working Capital fund ledger. D7* transactions are a byproduct of and A0* issue. The D7* is generated and staged when the A5* is released to the sub RSA holding the assets. Once SCS receives an AR* from the sub RSA, the D7* transactions is released to our Stores financial accounting system. Partial reversal would have to from the RSA notifying SCS that they were unable to accomplish the complete issue. In turn a D7* (partial adjustment) would be made within SCS. A D7* transactions coming from DLA is incorrect and not allowed in SCS.</p> <p>Q2: Do you have timeline for implementation of partial reversal for issues/is there a systems change request documenting the requirement? A2: I am not aware if the Air Force has accomplished any coding related to this issue. The Marine Corps is in the process of working with DPAS (warehouse module) to build in reversal capability. As for DSS, I am not aware of any attempt to provide a like capability.</p> <p>Recommend a meeting be conducted between the Air Force, DLA DSS, and the Marine Corps to discuss the way ahead on the</p>	<p>Noted. While the MC does support use of the issue reversal process, the expanding use of the issue reversal code in transactions is a new requirement.</p>

	Originator	Response/Comment	Disposition
		mandate.	
2.	Navy	<p>Navy concurs with the following comments:</p> <ol style="list-style-type: none"> <li>1. Regarding Staffing Note 1, Navy implemented the partial reversal process documented in AMCL 13 in 2001.</li> <li>2. Regarding Staffing Note 4, Navy has no documentation for the referenced Unique Item Tracking (UIT) exception, and UIT is not a reason to prevent a DLA-issued reversal.</li> <li>3. Regarding Staffing Note 5, Navy Issue Reversal Reason Code R was removed when the last U2 system was subsumed into Navy ERP.</li> <li>4. Regarding the implementation timeline for expanded use of issue reversal reason codes referenced in 8.c., the Navy no longer uses issue reversal reason codes. Navy ERP does not make use of these codes, and there are no plans to implement them.</li> <li>5. Navy disagrees with the process as depicted in Enclosure 8. We do not believe that it is appropriate to do both a receipt and an issue reversal due to it also requiring an inventory adjustment to offset the duplicate inventory increase. Recommend that services either use the process of sending a PMR and the DD generating a receipt or use the process of the DD generating an issue reversal based on the attached SDR paperwork. Either process can be considered appropriate for a service to use. The receipt process causes some problems with measuring Logistics Response Time (LRT) and DAAS reports showing completion of the order due to the receipt being posted. The issue reversal process avoids the problems with LRT and DAAS reports and is the preferred method for the Navy to use since it also handles the financials well for the activity that ordered the material, keeps the order open for the customer and prevents any double counting of demand.</li> </ol> <hr/> <p>Navy requests the ADC be updated to include the third digit of the legacy DIC to clarify which inventory adjustment transactions apply. Navy would also like clarification on other coding in the inventory adjustment that identifies the scenario.</p>	<p>Noted.</p> <ol style="list-style-type: none"> <li>1. Noted.</li> <li>2. Noted. DLA has been asked to evaluate impact of removing the exception for reversal of UIT (and future item unique identification (IUID) implementation.</li> <li>3. Noted.</li> <li>4. The expectation is that the Navy will implement the ADC; however, procedures are designed for staggered implementation. The intent is for DSS to implement the issue reversal reason codes and for Transaction Services to perpetuate to DLMS systems. If the Navy is not ready to accept the codes they will not be available for internal research.</li> </ol> <hr/> <p>DSS will provide DLMS 947I Inventory Adjustment equivalent to legacy D8A/D9A. This is type of inventory adjustment transaction is applicable upon initial research upon processing/validation of the SDR in order to correct inventory balances. The same type of decrease (D9A) is applicable upon return of a wrong item received followed by issue reversal which results in the inventory balance being inappropriately increased. Note: For Increase (D8_), DLMS transactions use 2/W1916/0202 Inventory Transaction Type Code AJ -Inventory Adjustment Increase applies. For Decrease (D9_) DLMS transactions use 2/W1916/0202 Inventory Transaction Type Code AD-Inventory Adjustment Decrease applies.</p> <p>The Physical Inventory Error Classification Codes will differ based upon the circumstance. The first position will always be a '2' for Issue as outlined in MILSTRAP Appendix B18, but the second and third characters can and should be tailored to the individual incorrect process that created the resultant SDR and corrective adjustment. For example, for a wrong item shipment, Physical Inventory Error Classification Code 2M (Issue - Materiel Selected from Wrong Location) or 2L (Issue - Wrong Materiel Selected)</p>



	Originator	Response/Comment	Disposition
			may apply. For shortage, the Error Classification Code should be 2S (Issue - Erroneous Count).
3.	Army	<p>Concur (Supply PRC and Army SDR community concur) Army clarified that the issue reversals that are included in the PDC are DIC D7_ reversals, which should not affect LMP. (The Army has never used D7_s the way some of the other Services do.) The Army never developed the functionality in LMP, so the short answer to the staffing note is that no, the Army cannot process partial issue reversals.</p>	Noted
4.	DLA	<p>DLA concurs with the below comments.</p> <p>PDC paragraph 4.b.3.b.d.7- DLA would like to reiterate that once an item is archived, a reversal cannot be processed.</p> <p>PDC paragraph 4.b.4.c.2.b- This process will not work appropriately if AF uses "M" document numbers; Air Force must cease use or DLMSO must outline procedures to accommodate these document numbers.</p> <p>Navy DLR Issue Reversal: Program P8AX allows for Issue Reversals and works with UIT/UII items</p> <p>After further research, DLA Distribution confirmed that partial issue reversals are restricted to SDR returns for Navy and Air Force maintenance activities.</p>	<p>Noted.</p> <p>A new sub-paragraph has been added to the Service-specific Background for Air Force. "2. When Air Force materiel is issued for Air Force maintenance under the non-standard document number construct beginning with the letter "M" (rather than an Air Force Service/Agency Code), the issue reversal process is applicable to Air Force-directed issues. The Air Force maintenance document numbers beginning with the letter M cannot be used on an inter-Service basis. This document number construct is invalid under DOD rules. The Air Force has been asked to discontinue this practice."</p> <p>Navy DLR UIT Program Background has been updated. DLMSO is recommending DLA Distribution and Navy jointly test the issue reversal for impact on the Navy DLR UIT interface.</p>
5.	Air Force	<p>Concur with comment: In response to Staffing Note 1 - ILS-S does NOT do partial reversal, reversals are processed for the complete quantity and then re-processed with the correct quantity/condition/identity. ILS-S will not be implementing AMCL 13; however, will re-look when this is re-issued as an ADC.</p>	Noted.
6.	Transaction Services	<p>Enclosure 3, Page 1, PDC1160, is the 2nd sentence supposed to be "2" so that the 525 Reply Code refers to the 2nd sentence?</p> <p>1 Not authorized for use by storage activities upon implementation of ADC 1160. 1 Authorized for use upon implementation of ADC 1160; must be used in conjunction with 300-series forwarding reply code to transfer action to the SoS.</p> <p>Reference above,</p> <p>Is this requiring WebSDR to block anything if a storage activity uses? Is this requiring WebSDR to block/reject if reply code is not used in conjunction with 300-series?</p>	<p>No WebSDR edit is requested at this time. The intent is for the responding activity to enforce correct use of the revised/new codes. The reason for reversal code revisions will not impact the SDR transaction processing.</p>

	Originator	Response/Comment	Disposition
		<p>I was unclear if SDR needs to do anything for the following requirement, could you let me know. I was thinking no, but wanted to confirm:</p> <p>(a) Revise the reason for reversal code set to establish new codes indicating reversal due to shortage, wrong item, unsuitable/unusable condition, or a reason not otherwise identified, inclusive of incorrectly entered data, e.g., transposed characters. Additionally, update to indicate mandatory DoD-wide use for these reasons (removing the current restriction for Navy use only) and to delete an obsolete Navy-use code. Refer to Enclosure 4.</p>	
7.	USTRANSCOM	Abstain. There is no impact to USTRANSCOM systems based on this change.	Noted.

## Enclosure 1, DLMS Volume 2 Chapter Revisions

Changes are identified by ***bold red italics*** and strike-through text. Intervening text between updated paragraphs is not shown. Paragraphs will be renumbered as appropriate due to identified revisions.

A. Revise DLM 4000.25, Volume 2, Chapter 14, Issue, Loan, Demand, and Single Manager for Conventional Ammunition Freeze/Unfreeze Action, as shown.

“Revise DLM 4000.25, Volume 2, Chapter 14, as shown.

“C14.2. ISSUE

C14.2.1. General

C14.2.1.1. This section provides a standard procedure for processing Issue information to owner/inventory control point (ICP) for the purpose of:

C14.2.1.1.1. Updating the owner/ICP record.

C14.2.1.1.2. Recording the appropriate financial transaction. Conformance with standard line of accounting (SLOA)/accounting classification requires any initiation of a financial business event to include SLOA mandated standard financial information system (SFIS) elements.<sup>3</sup> The DLMS issue transaction supports inclusion of SLOA required elements. Pending full implementation of SLOA, Transaction Services will facilitate interoperability by updating selected SLOA data fields based upon the initiating activity’s Service/Agency and Fund Code.

C14.2.1.1.3. Providing a basis for billing the customer.

C14.2.1.2. Processing points receiving requisitions, passing actions, follow-ups and cancellations, irrespective of format or method of transmission, will process such transactions in accordance with their respective internal procedures.

C14.2.1.3. Internal processing methods may vary due to automated capability and related procedures; however, the formats for output from processing point to requisitioner and between processing points will use the formats prescribed in this manual.

C14.2.1.4. Issue transactions are used to convey issue data to the ICP. Issue Transactions resulting from a backorder release are identified by Issue Transaction related Management Code M.

C14.2.1.5. Materiel from an Army Medical Materiel Agreement (AMMA) site may be issued using local catalog identification numbers.

***[Intervening text not shown]***

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<sup>3</sup> Refer to ADC 1043.

### ***C14.2.5. Issue Reversal***

***C14.2.5.1. Issue reversals are used to correct owner and storage activity inventory records due to erroneous input by the storage activity.***

***C14.2.5.2. By Component agreement, issue reversals are authorized as a method to adjust inventory balances as the result of a validated supply discrepancy report (SDR). The issue reversal transaction will serve as an auditable record of this action within storage activity and owner systems. When used for this purpose the storage activity must include the reason for reversal code in the issue reversal transaction to indicate a correlation with a supporting discrepancy report. Issue reversals used to adjust inventory records will systemically trigger a financial adjustment by the owner system, when applicable, for discrepant shipments including, but not limited to, shortage, wrong item, or incorrect condition. The issue for wrong item shipments will not be reversed until after the incorrect materiel has been returned to the storage activity (with exception by direction of the ICP to correct records where a wrong item received is not returned).<sup>4</sup>***

***C14.2.5.3. Navy use only. Storage activities will cite Reason for Reversal Code S in the issue reversal transaction when a cancellation request is issued for a materiel/disposal release order (MRO/DRO) and the item was not shipped. The reversal requirement stems from a timing issue. The MRO/DRO is in process, the storage activity property accountability record was decremented and the issue transaction was sent to the ICP to decrement to the owner balance. Subsequent to this action, but prior to the materiel being physically shipped and a materiel release confirmation being generated, the MRO/DRO issue action is cancelled and the materiel is returned to stock, if necessary. An issue reversal transaction is then required to increment the storage activity's property accountability record and the ICP's record to the original quantity.***

**B. Revise DLM 4000.25, Volume 2, Chapter 17, Supply Discrepancy Reporting, as shown.**

“C17.3.12.1.2.1. Interim Replies. Interim replies may be used to inform the submitter that an SDR has been forwarded to another organization for investigation or resolution. Responsible activities must provide an interim reply where a final reply cannot be provided within the established timeframes. Failure to meet the established timeframes must be caused by reasons outside the control of the ICP/IMM or GSA. Such interim replies ***will*** indicate when additional status will be provided. Identify the interim disposition/status using the appropriate Reply Code (Appendix 7.28). ***The storage activity will provide an interim reply when recommending credit be provided by the SoS based upon a validated discrepancy. For this purpose, the storage activity will cite Reply Code 522 and forward the SDR using the applicable 300-series applicable to the SoS for processing of MILSBILLS financial adjustments under Volume 4, Chapter 4.*** When the storage activity forwards an SDR to the SoS for action using a 300-series interim reply code, the SDR transaction must be formatted to identify the SoS RIC as the action activity. WebSDR will provide notification of forwarding action to the SDR initiator. If no coding exists to specifically identify the reasons for the delay, select Code 137 and provide a clear-text explanation.

***(Intervening text not shown)***

C17.3.12.1.3. DoD ICP/IMM, Shipping Depot, or GSA Actions. The ICP/IMM, or shipping depot, ~~or GSA~~ will:

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<sup>4</sup> Refer to ADC 1160.

C17.3.12.1.3.1. Review all SDRs received for processing and determine proper course of action based on available supply records and the results of investigation. This includes SDRs which the customer has reported as requiring no action (Action Code 1H or 3B).

C17.3.12.1.3.2. Provide the SDR response to include disposition instructions as needed to the customer or the ILCO for Security Assistance SDRs. The responsible activity will provide point of contact information for each SDR response.

C17.3.12.1.3.3. Based upon validated SDRs, *the storage activity may reverse the original issue or adjust inventory balances, as applicable. Prior coordination with the ICP/IMM is required for use of issue reversals as a means of correcting records and providing credit to the billed party. The ICP/IMM is responsible for providing a PMR to the distribution center when the SDR reply (prepared by the SoS or distribution center) directs return of discrepant materiel. Based upon validated SDRs, the ICP/IMM may request that DFAS or integrated financial process authorize adjustment/credit in accordance with MILSBILLS procedures in DLM 4000.25, Volume 4, Military Standard Billing System - Finance. Failure to comply with instructions to return discrepant materiel will result in billing for materiel received.*

*C17.3.12.1.3.3.1. The storage activity may recommend credit/debit via interim reply forwarded to the SoS (must include applicable 300-series reply code). The storage activity response will be based upon research to include review of inventory records and physical inventory, as appropriate. WebSDR will provide an information copy of the storage activity reply to the SDR submitter.*

*C17.3.12.1.3.3.2. Upon receipt of a storage activity recommendation, the SoS will conduct further research (supply and financial records) and provide a final reply to the SDR submitter indicating credit/debit is authorized or denied, as appropriate.”*

## Enclosure 2, MILSTRAP (Legacy) Chapter Revisions

Revisions are identified by *red bold italics* and strike through.

A. Revise DLM 4000.25-2, Chapter 3, as shown.

### “C3.2. ISSUE TRANSACTIONS”

C3.2.1. Issue transactions are used to convey issue data to the ICP or *Integrated* Materiel Manager (IMM). Issue transactions are identified by document identifier codes (DIC) in the D7 series that are assigned and explained in appendix AP2.1. Issue transactions resulting from a backorder release are identified by issue transaction related Management Code M in record position 72 (Appendix AP2.6). See appendix AP3.3 for transaction formats.

#### *C3.2.2. Issue Reversal*

*C3.2.2.1. Issue reversals are used to correct inventory records due to erroneous input by the storage activity.*

*C3.2.2.2. By Component agreement, issue reversals are authorized as a method to adjust inventory balances as the result of a validated supply discrepancy report (SDR). The issue reversal transaction will serve as an auditable record of this action within storage activity and owner systems. When used for this purpose the storage activity must include the reason for reversal code in the issue reversal transaction to indicate a correlation with a supporting discrepancy report. Issue reversals used to adjust inventory records will systemically trigger a financial adjustment by the owner system, when applicable, for discrepant shipments including, but not limited to, shortage, wrong item, or incorrect condition. The issue for wrong item shipments will not be reversed until after the incorrect materiel has been returned to the storage activity (with exception by direction of the ICP to correct records where a wrong item received is not returned).<sup>5</sup>*

*C3.2.2.3. Navy use only. Storage activities will cite Reason for Reversal Code S in the issue reversal transaction when a cancellation request is issued for a materiel/disposal release order (MRO/DRO) and the item was not yet shipped. Reversal requirement stems from a timing issue. The MRO/DRO is in process, the storage activity property accountability record was decremented and the issue transaction was sent to the ICP to decrement to the owner balance. Subsequent to this action, but prior to the materiel being physically shipped and a materiel release confirmation being generated, the MRO/DRO issue action is cancelled and the materiel is returned to stock, if necessary. A D7\_issue reversal transaction is then required to increment the storage activity's property accountability record and the ICP's record to the original quantity.<sup>6</sup>*

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<sup>5</sup> Refer to ADC 1160.

<sup>6</sup> Refer to ADC 259.

B. Revise DLM 4000.25-2, Chapter 9, as shown.

C9.4. TRANSACTION REVERSAL. Table C9.T1 identifies MILSTRAP transactions authorized for reversal. The DLMS Supplements **implementation conventions (ICs)** for the corresponding functionality are also authorized for reversal. **Where applicable, specific procedures related to the authorized use of a reversal transaction are included with the relevant chapter narrative.**

**C9.4.1. See Chapter 3 for specific procedures and controls required when reversing Issue transactions.**

**C9.4.2. See Chapter 7 for specific procedures and controls required when reversing Inventory Adjustment (Physical Inventory) transactions, DIC D8A/D9A.**

Table C9.T1 MILSTRAP Transactions Authorized for Reversal

APP	DIC	Corresponding DLMS	Title of Transaction Authorized for Reversal
AP3.1	D4_	527R Receipt	Materiel Receipt – Procurement Instrument Source
AP3.2	D6_	527R Receipt	Materiel Receipt – Other Than Procurement Instrument Source
AP3.3	D7_	867I Issue	Issue
AP3.4	D8_, D9_	947I Inventory Adjustment	Adjustment – Increase or Decrease
AP3.5	D8E,D8F, D9E,D9F	947I Inventory Adjustment	Inventory Adjustment – Increase or Decrease (Logistics Transfer/Capitalization/Decapitalization)
AP3.6	D8S,D9S	947I Inventory Adjustment	Inventory Adjustment – Increase or Decrease (Ownership Transfer)
AP3.7	DA1,DA2	846F Ammunition Freeze/Unfreeze	Single Managed Conventional Ammunition Freeze/Unfreeze Action
AP3.8	DAC, DAD	947I Inventory Adjustment	Inventory Adjustment – Dual (Condition/Purpose Transfer)
AP3.9	DAS	947I Inventory Adjustment	Inventory Adjustment – Dual (Ownership Transfer)
AP3.10	DD_	527D Due-In	Due-In – Procurement Instrument Source
AP3.11	DEE, DEF	846D Logistics Reassignment Transfer and Decapitalization	Logistics Transfer/Decapitalization
AP3.12	DF_	527D Due-In	Due-In – Other Than Procurement Instrument Source
AP3.13	DG_	NA	Backorder
AP3.14	DHA	867D Demand	Demand



Table C9.T1 MILSTRAP Transactions Authorized for Reversal

APP	DIC	Corresponding DLMS	Title of Transaction Authorized for Reversal
AP3.38	DU_	527D PMR	Pre-Positioned Materiel Receipt (PMR) – Procurement Instrument Source
AP3.39	DW_	527D PMR	PMR – Other Than Procurement Instrument Source
AP3.54	DZC	846S Logistics Reassignment Storage Information Order	Logistics Reassignment Storage Information
AP3.55	DZD	846S Logistics Reassignment Storage Information Reply	Logistics Reassignment Storage Information Reply

## Enclosure 3, DLMS Appendix Updates

Revisions are identified by **red bold italics** and strike through.

Revise DLM 4000.25, Volume 2, Appendix 7.28, Supply Discrepancy Report Relevant Data Elements, as shown.

### AP3.4 DISCREPANCY STATUS OR DISPOSITION (REPLY) CODES

Action activities use the Discrepancy Status or Disposition (Reply) Codes to codify a response to an SDR. This data element may be referred to as an SDR Reply Code. It is a three position numeric code. Up to three reply codes may be used on a single report to provide complete financial and materiel disposition instructions and provide additional information as needed. Codes may be used to replace or supplement preprinted information on the reverse side of the SF 364. System design should accommodate clear text for ease of use and interpretation.

#### Reply Codes

The 100-series codes provide status of financial resolution, materiel disposition instructions, or other appropriate information:

- 101 Credit authorized/~~recommended~~ **by SoS/manager**<sup>1</sup>  
**152 Discrepancy validated by storage activity; credit processing associated with issue reversal**<sup>2</sup>

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The 300-series codes indicate storage activity status on SDRs forwarded to the owner/manager for action:

- 301 Interim reply; SDR forwarded to USA for disposition instructions or final resolution.  
302 Interim reply; SDR forwarded to USAF for disposition instructions or final resolution.  
303 Interim reply; SDR forwarded to USMC for disposition instructions or final resolution.  
304 Interim reply; SDR forwarded to USCG for disposition instructions or final resolution.  
305 Interim reply; SDR forwarded to USN for disposition instructions or final resolution.  
306 Interim reply; SDR forwarded to GSA for disposition instructions or final resolution.  
307 Interim reply; SDR forwarded to DLA for disposition instructions or final resolution.  
309 Interim reply; SDR forwarded to owner for disposition instructions or final resolution

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The 500-series (and some 100-series) codes indicate an interim reply:

- 525 Discrepancy validated by storage activity; credit recommended (use with 300-series forwarding reply code)**<sup>3</sup>

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<sup>1</sup> **No longer authorized for use by storage activities upon implementation of ADC 1160.**

<sup>2</sup> **Refer to ADC 1160.**

<sup>3</sup> **Refer to ADC 1160.**

Enclosure 4, DLM Implementation Convention (IC) Revisions

#	Location	DLMS 867I Revision	Reason
1.	DLMS Introductory Notes	<p><u>Add to DLMS introductory note 3:</u></p> <ul style="list-style-type: none"> <li>- <i>ADC 1160, Procedures for Recommending and Authorizing Credit for Validated SDRs, Associated Reply Code Revisions, and Required use of the Reason for Reversal Code in Issue Reversals</i></li> </ul>	Identifies change associated with the transaction.
2.	2/LQ01/270	<p><u>Revise DLMS Note for existing Code Z:</u></p> <p>Z Cancellation Reason  <b>DLMS Note:</b>            1. Use for the Reason for Reversal Code.            2. Navy uses the Reason for Reversal Code for Navy issue reversal codes B, <del>R</del>, and S <i>in support of legacy requirements</i>. <del>DLMS enhancement authorized for use by Navy and DLA Distribution Standard System (DSS) interface with Navy. Code R is only authorized for use with Navy's legacy Uniform Automated Data Processing System (UADPS) 2 (U2), and only until such time as U2 is replaced. Code R is not authorized for use with other DOD Component legacy systems, or with any modernized systems. Refer to ADC 259.</del>  <b>3. By DLMS enhancement, DLA storage activities must cite the Reason for Reversal Code on all issue reversals associated with a validated SDR. Refer to ADC 1160.</b>            4. A data maintenance action was approved in version 5050. The approved code/name is "RRC – Reason for Reversal Code".</p>	<p>To document enhancement for data requirement in DLMS. Currently, only Navy uses this code when interfacing with DLA DSS.            Under MILSTRAP Navy/DSS cite code in a multiuse field (rp80) designated for intra-Component use.  <b>Staffing Note 8:</b>            Request Air Force evaluate impact of allowing this data element to be perpetuated to the legacy format received by AF systems.</p>

**Enclosure 5, DLMS, Volume 2, Appendix 7 (Code) Revisions, and associated DLMS Data Dictionary entry for Data Element ID 1270 Qualifier Z**

Add new Appendix 7.30, Reason for Reversal Code. *Red bold italics* identify new codes; however, the entire appendix is new since a code appendix was not previously developed for this data element.

## **AP7.30 APPENDIX 7.30**

### **REASON FOR REVERSAL CODE**

NUMBER OF CHARACTERS:	One
TYPE OF CODE:	Alpha
EXPLANATION:	Identifies the reason for reversal in applicable transaction.
LEGACY RECORD POSITION:	73 for DEE/DEF; 80 for D7_
DLMS SEGMENT/QUALIFIER:	LQ Segment, LQ01 Data Element ID 1270, Qualifier Z – Cancellation
MILSTRAP Document Identifier Code (DIC)	D7_ ; DEE/DEF
DLMS Implementation Convention	867I Issue 846D Logistics Reassignment Transfer/ Decapitalization (Report Type Code TL)

CODE	NAME/DEFINITION	APPLICABLE TRANSACTION	EXPLANATION
A	Reversal of logistics transfer/decapitalization transaction	846D/DEE/DEF	Logistics reassignment transfer and decapitalization transaction (when the quantity is not available for transfer/decapitalization) <sup>1</sup>
B	Reversal of issue transaction – shortage	867I/D7_	<del>Navy use only.</del> Reversal of issue transaction when amount shipped is determined to be less than amount requested on a materiel/disposal release order (MRO/DRO)/issue transaction.
<i>C</i>	<i>Reversal of issue transaction – condition</i>	<i>867I/D7_</i>	<i>Reversal of issue transaction when the condition of materiel shipped is not consistent with that requested on an MRO/DRO/issue transaction<sup>2</sup></i>
<i>D through R</i>	<i>Not assigned.</i>		<i>Reserved for future DoD assignment.</i>

<sup>1</sup> Refer to Request for Implementation Date for ADC 12. Not authorized for use; implementation pending.

<sup>2</sup> Refer to ADC 1160..

CODE	NAME/DEFINITION	APPLICABLE TRANSACTION	EXPLANATION
<del>R</del>	<del>Reversal of issue transaction</del>		<del>Navy use only. Reversal of DLMS IC 867I (MILSTRAP-DIC-D7_) issue transaction when the customer has returned the material. Approved for limited interim use by navy U2 legacy system and dss interface with U2. Code R is not authorized for use with other legacy systems or with any modernized systems. Authorization for use with Navy U2 system will be rescinded when Navy U2 system is replaced.</del>
S	Reversal of issue transaction - <i>cancellation</i>	867I/D7_	Navy use only. Reversal of issue transaction ( <del>DLMS 867I (MILSTRAP-DIC-D7_)</del> ) when a cancellation request has been issued for a material/disposal release order (MRO/DRO) and the item was not yet shipped. Reversal requirement stems from a timing issue. The MRO/DRO is in process, the depot accountable balance has been decremented and the issue transaction has been sent to the ICP to decrement to the owner balance. Subsequent to this action, but prior to the material being physically shipped and a confirmation being generated, the MRO/DRO issue action is cancelled and the material is returned to stock, if necessary. A D7_issue reversal transaction is then required to increment the depot's accountable balance and the ICP's balance to the original quantity. <sup>3</sup>
<i>T</i>	<i>Reversal of issue transaction - other</i>	867I/D7_	<i>Reversal of transaction for a reason not otherwise identified, inclusive of incorrectly entered data, (e.g., transposed characters).<sup>4</sup></i>  <b>Staffing Note 9:</b> Reason for Reversal code will be added to all DLMS –MILSTRAP related transactions that can be reversed, by a future PDC. At that time, Code T will be for use with all transactions authorized for reversal.
<i>U through V</i>	<i>Not Assigned</i>		<i>Reserved for future DoD assignment.</i>

<sup>3</sup> Refer to ADC 259, Revise DLMS Supplement 867I and MILSTRAP Issue Transactions to Support Navy Requirement for Reason for Reversal Code

<sup>4</sup> Refer to ADC 1160.

CODE	NAME/DEFINITION	APPLICABLE TRANSACTION	EXPLANATION
<i>W</i>	<i>Reversal of issue transaction – wrong item</i>	<i>867I/D7_</i>	<i>Reversal of issue transaction when materiel shipped is determined to be other than the type of materiel (e.g. wrong stock number) requested on an MRO/DRO/issue transaction<sup>5</sup></i>
<i>X through Y</i>	<i>Not Assigned</i>		<i>Reserved for future DoD assignment.</i>
Z	Reserved		Not available for assignment as a reason for reversal code.

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<sup>5</sup> *Ibid.*

## Enclosure 6, MILSTRAP Appendix 3.3 Issue (Format) Revisions

Revisions are identified by *red bold italics* and strike through.

Revise DLM 4000.25-1 Appendix 3.3 Issue as shown.

### AP3.3. APPENDIX 3.3

#### ISSUE

<u>FIELD LEGEND</u>	<u>RECORD POSITION(S)</u>	<u>ENTRY AND INSTRUCTIONS</u>
Document Identifier Code	1-3	Enter appropriate DIC from the D7 series.
Routing Identifier Code (TO)	4-6	Enter RIC of the Inventory Control Point to which this transaction is being forwarded.
Media and Status	7	Enter M&S code from original document.
Stock of Part Number	8-22	Enter stock or part number of item issued.
Unit of Issue	23-24	Enter UI of item.
Quantity	25-29	Enter quantity issued, preceding significant digits with zeros. <sup>1, 2</sup>
Document Number	30-43	Enter document number from source document.
Suffix	44	Enter assigned suffix code; otherwise, leave blank.
Supplementary Address	45-50	Perpetuate from source document.
Signal	51	Perpetuate from source document.
Fund	52-53	Perpetuate from source document.
Distribution	54-56	Perpetuate from source document.
Project	57-59	Perpetuate from source document.
Priority	60-61	Perpetuate from source document.
Delivery Day	62-64	Perpetuate from source document.
Advice	65-66	Perpetuate from source document.
Routing Identifier Code (FROM)	67-69	Enter RIC of the storage activity from which the item is to be shipped.
Ownership/Purpose	70	Enter ownership/purpose code from which item is to be shipped.

<sup>1</sup>See Appendix AP3 - Formats Introduction, AP3.3.1

<sup>2</sup>See Appendix AP3 - Formats Introduction, AP3.3.2.



Supply Condition	71	Enter supply condition code from which item is to be shipped.
Management	72	Enter appropriate issue management code.
Day of Year (Transaction)	73-75	Enter ordinal day of the calendar year on which transaction is prepared.
Multiuse	76- <del>80</del> <b>79</b>	For intra-Component use, enter data prescribed by Component. For inter-Component use, leave blank. <sup>3</sup>
<b>Dual-Use</b>	<b>80</b>	
<b>Multi-Use</b>	<b>(80)</b>	<b>For intra-Component use, enter data prescribed by Component.</b>
<b>Reason for Reversal</b>	<b>(80)</b>	<b>For inter-Component use, <del>leave blank</del> authorized for reason for reversal code for all DoD Components when reversing an Issue transaction.<sup>4, 5</sup></b>

<sup>3</sup> For Navy, rp 77 identifies the “issue on request” code. Navy uses when a customer receives material without a material release order and DSS sends a D7\_ (with an “I” in position 77) to Navy systems (e.g., ~~Uniform Automated Data Processing System (UADPS) H (U2)~~ and Uniform Inventory Control Program (UICP) ) to indicate that material has been issued. (See ADC 235)

<sup>4</sup> For Navy, rp 80 identifies the ~~Navy Issue Reversal Code B, R, or S~~ **per legacy requirements**. Navy uses when interfacing with ~~DLA DSS. Code R is only authorized for use with Navy’s legacy Uniform Automated Data Processing System (UADPS) 3 (U2), and will not be authorized for use with other DoD Component legacy systems, or with any modernized systems.~~ (See ADC 259.)

<sup>5</sup> **Implementation staggered. Refer to ADC 1160.**

## Enclosure 7, DLMS Volume 4 Chapter Revisions

Revise Chapter 4, Adjustment Procedures, as shown. Changes are identified by ***bold red italics*** and strike-through text.

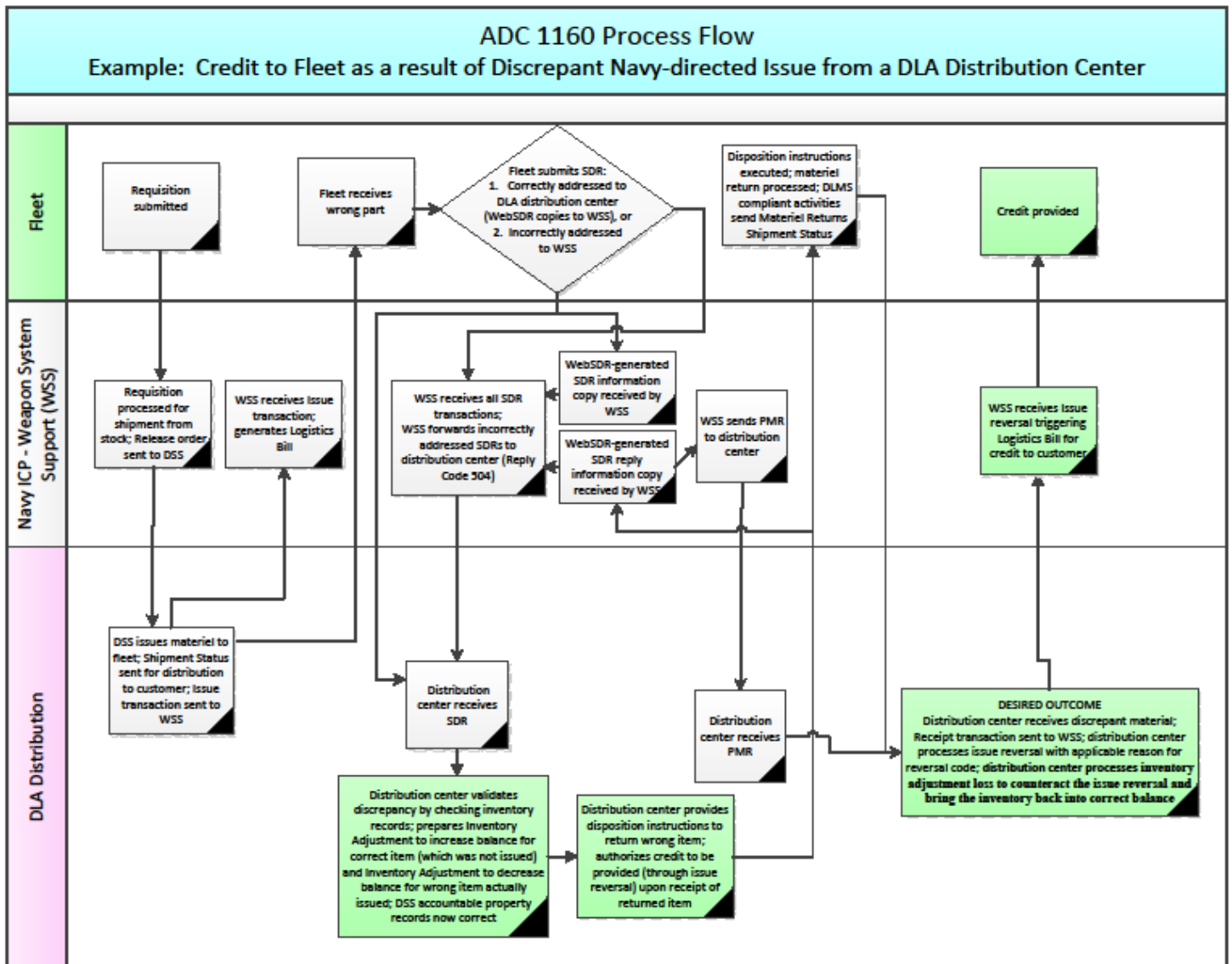
C4.10.1.2. Billing offices ***will*** process financial adjustments or claims citing the applicable Type of Bill Code (QD, WP, WU, or TD) based on the discrepancy report when the discrepancy report is validated and all of the following MILSBILLS or GSA criteria are met:

C4.10.1.2.1. Discrepancy Not Otherwise Resolved. The discrepancy was not resolved otherwise; for example, the vendor does not replace deficient materiel for a validated PQDR.

C4.10.1.2.2. Materiel Billed and Paid. The materiel was billed and paid previously or, in the case of reporting on a constructed document number, there is a reasonable basis for assuming that the items were previously billed and paid.

C4.10.1.2.3. Materiel Returned. The materiel is received by the ~~depot~~ ***storage activity*** in those cases where the discrepancy report reply requires the return. ***At the discretion of the SoS, adjustments may be processed prior to materiel return and then subsequently rebilled under the original document number due to failure to return materiel as directed.***

# Enclosure 8, Process Flow





**Defense Distribution Center  
Materiel Accountability Division**

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# *Count on THIS...*

**January 2015**

**This month's topic is dealing with D7 Reversals.**

**Under DLA Distributions Audit Readiness preparations it was noted that the D7 Reversal process for iSDR credits was a work-around process without a supporting MOA. Due to this, in order to successfully pass any financial audit, DLA Distribution will no longer be able to process D7 reversals when credit is recommended on certain iSDRs. The Services associated with the D7 credit work-around on iSDRs will need to begin processing credit recommendations IAW established DLMS procedures.**