



**DEFENSE LOGISTICS AGENCY
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February 14, 2017

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

SUBJECT: Approved Defense Logistics Management Standards (DLMS) Change (ADC) 1181A, Implementing the Cause Code for Supply Discrepancy Reports (SDRs) and Developing a Data Exchange Between WebSDR and Past Performance Information Retrieval System-Statistical Reporting Next Generation (PPIRS-SR NG) for Contractor Noncompliance SDRs (Supply/SDR)

The attached change to DLM 4000.25, Defense Logistics Management Standards (DLMS), is approved for implementation. Request Components implement the cause codes no later than November 1, 2017. WebSDR interface supporting PPIRS-SR is to be completed by November 1, 2017. The updated DLMS Implementation Conventions (IC) will be posted to the Enterprise Business Standards Office Web at http://www.dlmso.dla.mil/eLibrary/TransFormats/140_997.asp, within 10 days from the above date.

Addressees may direct questions to DLMSSDR@dla.mil, Ms. Ellen Hilert, DOD SDR System Administrator, e-mail ellen.hilert@dla.mil, or Mr. Ben Breen, e-mail benjamin.breen@dla.mil. All others must contact their Component designated Supply PRC representative or SDR Subcommittee representative available at www.dlmso.dla.mil/eLibrary/ServicePoints/allpoc.asp.

HEIDI M. DAVEREDE
Program Manager
Enterprise Business Standards Office

Attachment
As stated

cc:
ODASD (SCI)
OUSD DPAP (PDI)
DOD Product Quality Deficiency Report (PQDR) Committee

Attachment to ADC 1181A
Implementing the Cause Code for Supply Discrepancy Reports (SDRs) and
Developing a Data Exchange between WebSDR and Past Performance
Information Retrieval System-Statistical Reporting Next Generation
(PPIRS-SR NG) for Contractor Noncompliance SDRs

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION:

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2. FUNCTIONAL AREA:

- a. **Primary/Secondary Functional Area:** Supply Discrepancy Reporting
- b. **Primary/Secondary Functional Process:** DOD WebSDR Processing

3. REFERENCES:

- a. [ADC 1005](#), SDR Distribution to the Defense Contract Management Agency (DCMA), June 17, 2013.
- b. [Defense Logistics Management Standards \(DLMS\) Supply Discrepancy Reporting \(SDR\) Process Review Committee \(PRC\) 15-01 Meeting minutes, June 3, 2015](#)
- c. [DLM 4000.25](#), DLMS, Volume 2, Appendix 7.28, Supply Discrepancy Report Relevant Data Elements
- d. [DLM 4000.25](#), DLMS, Volume 2, Appendix 8, Formats Index
- e. [DLM 4000.25](#), DLMS, Volume 2, Supply, Chapter 17, Supply Discrepancy Reporting
- f. [ADC 1052](#), DOD Web Supply Discrepancy Report (WebSDR) Processes Enhancement and Interface with Electronic Document Access (EDA) System, May 3, 2013
- g. [ADC 222](#), Discrepancy Disposition/Status (Reply) Code Revisions, January 9, 2007

4. APPROVED CHANGE(S): Substantive revisions subsequent to PDC staffing are highlighted in green.

a. **Brief Overview of Change:**

(1) This change requires all DOD Components to assign a cause code identifying contractor/vendor noncompliance (when applicable as the reason for the discrepancy) on the final SDR reply by the item manager (action activity). The cause code will trigger transmission of SDR data from WebSDR via a new interface for use in evaluating vendors' performance in PPIRS-SR. WebSDR will determine if the SDR record removed, updated, or added the contractor noncompliance Cause Codes CN, CS, or CP and will send the updated record to PPIRS-SR.

(2) This change will require the item manager (action activity) to provide a final reply to an SDR assigning a cause code identifying contractor/vendor noncompliance as the reason for the discrepancy. Currently, the item manager does not always provide a final reply (e.g., in response to informational SDRs citing Action Code 1H or 3B).

(3) This change also requires the Defense Contract Management Agency (DCMA) to return the SDR to the responsible item manager (action activity) using a 300-series forwarding reply code when DCMA has received the SDR for action (Reference 3.a.). The item manager (action activity) will prepare the final reply to the SDR.

(4) This change documents new procedures for SDRs that originate in Product Data Reporting and Evaluation Program (PDREP) and identify a Navy or Marine Corps activity as the action activity. When the Navy or Marine Corps forwards the action copy of the SDR to DCMA using the 501 forwarding code, PDREP must send the 501 forwarding reply code transaction to WebSDR. WebSDR will then route the transaction to the DCMA DoDAAC identified in the 501 forwarding reply code. In addition, this change will revise Reply Code 515 text.

(5) This change updates procedures approved under ADC 1005.

(6) This change also documents data exchange requirements for transmission of SDR data for contractor/vendor evaluation under PPIRS-SR.

(7) This change documents the SDR challenge process, which will leverage the current PQDR challenge process in PPIRS-SR.

b. Background:

(1) Currently DLA is the only Component using the cause code data element, which is available for use in the DLMS 842A/R SDR Reply. DLA uses this data element to identify contractor noncompliance as well as other causes for the discrepancy. DLA previously incorporated SDRs as a method of evaluating a vendor's performance for making a best value determination prior to award when contractor/vendor noncompliance (fault) codes were input on the SDR. The use of contractor noncompliance Cause Codes (CN-Contractor noncompliance, CP-Contractor noncompliance packaging, and CS-Contractor noncompliance (subcontractor)) reflected negatively on a vendor's score in DLA's Automated Best Value System (ABVS). The ABVS was unique to DLA and incorporates several other factors besides SDRs (e.g., PQDRs and on-time delivery) when determining a vendor's performance. Acquisition specialists used this as a tool when evaluating an offer from a contractor/vendor. However, not all SDRs (i.e., info only SDRs) submitted to the item manager (action activity) were updated internally with the appropriate cause code so they could update ABVS.

(2) DLA retired ABVS in March 2014 and replaced it with the DOD-mandated system, PPIRS-SR. However, when DLA transitioned from ABVS to PPIRS-SR as the system to use for vendor performance, SDRs were no longer included as criteria for evaluation of a vendor's performance. PPIRS did not use SDRs as evaluation criteria for any DOD Component because there was no standard SDR data element in use for all Components to determine contractor/vendor noncompliance (fault). During the SDR Process Review Committee (PRC) meeting held in April 2015 at Fort Belvoir (Reference 3.b.), the topic of incorporating SDRs as an evaluation criteria factor was presented to all DOD Components. The PPIRS-SR/PDREP team agreed after discussion with those in attendance and several teleconferences to incorporate

SDRs as evaluation criteria in determining vendors' performance. This topic was briefed to Ms. Sumpter, Office of the Under Secretary of Defense (OUSD) Defense Procurement and Acquisition Policy (DPAP) Program Development and Implementation (PDI) at the PPIRS-SR Quality Working Group (QWG) meeting in June 2015. The PPIRS-SR QWG agreed to include SDRs as evaluation criteria in determining vendors' performance.

(3) ADC 1005 updated the procedures for DCMA to receive a SDR for action electronically. Subsequent to publishing ADC 1005, a determination that DCMA should also have the authority to update the SDR to indicate the vendor caused the discrepancy (vendor noncompliance), when noncompliance was determined based on DCMA's investigation. Upon receipt of the SDR, DCMA may delegate authority to a different DCMA DoDAAC than the one initially identified on the SDR. When DCMA delegates this authority, PDREP will treat this scenario as an "internal forwarding" action, and will not update the DCMA DoDAAC to identify the second DCMA DoDAAC on an SDR reply. This is because the DCMA DoDAAC shown on the SDR was extracted using the interface with Electronic Document Access (EDA) (or added by the item manager (action activity) for contracts not available in EDA). Because the Contract Administration Office (CAO) DoDAAC is based upon the contract, it should not be revised to reflect a supporting activity (Reference 3.f.).

(a) WebSDR distributes information copy SDRs to the DCMA CAO whenever the CAO DoDAAC identifies DCMA. Additionally, ADC 1005, SDR Distribution to DCMA (Reference 3.a.) provides procedures for DOD WebSDR dissemination of action copies for DCMA investigation when directed by the action activity reply. When DCMA receives the SDR for action, DCMA will provide the appropriate disposition reply code based on their investigation and return the SDR to the responsible item manager (action activity). It is now recognized that the DCMA reply must also include the 300-series forwarding reply code in order to trigger transfer of the action back to the item manager (action activity) in both WebSDR and action activity systems.

(b) Under standard procedures, PDREP uses Historical SDRs (Transaction Set Purpose Code 49) to identify SDRs originating in PDREP and identifying a Navy or Marine Corps action activity. WebSDR interprets the Historical designation is to mean that no additional dissemination of the transaction is needed because the SDR will be worked internally in PDREP. The forwarding Reply Code 501 must be sent to WebSDR by PDREP when the SDR is transferred to DCMA for action with a standard reply transaction (Transaction Set Purpose Code 11) to update the database and metrics table to reflect the most current data, rather than keeping this action internal to PDREP. WebSDR will generate the outgoing transaction to transfer action to DCMA.

(4) After further discussions with the PPIRS-SR QWG it was determined that SDRs will be recorded in the quality module of PPIRS-SR. Similar to the PQDR challenge process, PPIRS will use the first position of the replying activity DoDAAC to determine the Component providing the contractor noncompliance code for the applicable SDR record. The SDR community will leverage the existing challenge process within PPIRS-SR to route SDR challenges based on the PPIRS-SR Service/Agency code to the current PQDR challenge focal points identified by PPIRS-SR for each Component. Leveraging this existing process will reduce additional programming logic within PPIRS-SR and ensure vendor challenges route to the correct Component's challenge focal point. This process is consistent with DPAP's desire to ensure that vendors do not have to determine where to route their challenges.

c. Approved Change in Detail:

(1) When the item manager (action activity) determines contractor noncompliance, the applicable cause code will be included in the final SDR reply for materiel shipped by a contractor/vendor under a contract issued by the item manager (action activity). The cause code may be entered via WebSDR direct input (reply screen) or via DLMS 842A/R Standard SDR Reply (Transaction Purpose Set Code 11) citing the cause code (Qualifier GY at 2/LQ01/4650). This requirement specifically affects SDRs identified by SDR Document Type 6 (direct vendor delivery to customer), Document Type 9 (procurement source receipt by DLA Distribution Center), Document Type P (procurement source receipt by storage activity other than DLA Distribution Center), and vendor shipments reported using Document Type W (discrepancy reported by transshipper while materiel is in-transit). In addition, any SDR containing a procurement instrument identifier (PIID)¹ (inclusive of PIID call/order number) will be eligible for contractor evaluation, regardless of document type.

(2) The item manager (action activity) must prepare an outgoing SDR reply for identification of contractor/vendor noncompliance. This is true even when the SDR would not otherwise require an item manager Action Activity/Manager reply (e.g., SDRs containing Action Code 1H (information only) or Action Code 3B (reported for corrective action and trend analysis). The storage activity/distribution center will not apply the cause code. Only the item manager (action activity) or by DCMA (when the SDR has been forwarded to DCMA for action) is authorized to add the cause code.

(3) The item manager (action activity) may forward SDRs to DCMA for investigation/assistance only when the contract indicates that DCMA is responsible for inspection or acceptance. SDRs lacking evidence of the reported discrepancy will make it difficult for DCMA to support a claim of vendor noncompliance. Therefore, the item manager should ensure SDRs include appropriate supporting information. If necessary, the item manager may reply to the SDR submitter to request evidential matter (e.g., photographs or documentation) using Reply Code 104 (additional information required from submitter; see remarks). DLA Distribution Centers will reply to the request for evidence using a Status Update transaction (Transaction Set Purpose Code SU) with Reply Code 321 (documentation/technical data/other information are being forwarded). Customers (and others without status update functionality) will respond to the request by submitting an SDR Correction (Transaction Set Purpose Code CO) with the applicable attachments. WebSDR attachment functionality provides support for this requirement if the SDR submitter system does not. Once the item manager feels there is sufficient information available for DCMA to proceed, the item manager will forward the SDR to DCMA using Reply Code 501.

(4) If the SDR is forwarded to DCMA for action, DCMA is authorized to add the appropriate contractor/vendor noncompliance cause code based on their investigation. However, DCMA must forward the SDR to the appropriate item manager (action activity) for final disposition. DCMA will provide the appropriate disposition reply code and cause code (if warranted) based on their investigation. Then, DCMA will forward the SDR to the responsible item manager (action activity) using the 300-series forwarding reply code. Note that DCMA must always provide the appropriate disposition reply in conjunction with the 300-series forwarding reply code regardless of whether or not contractor noncompliance is determined. The

¹ [ADC 1161](#) Update Uniform Procurement Instrument Identifier (PIID) Numbering System in the Federal/DLMS Implementation Conventions and DLMS Manuals

300-forwarding reply code dictates the structure of the reply transaction requiring the action activity to be identified as the item manager (action activity rather than the original submitter) and will trigger the appropriate transfer of action in WebSDR and the receiving Component item manager (action activity) system.

(a) These procedures do not authorize item managers to forward SDRs to DCMA for action when the contract indicates that DCMA is not responsible for inspection or acceptance (even though DCMA is identified as the CAO). WebSDR will not perform validation to restrict forwarding action when the SDR identifies a DCMA CAO, so it is the responsibility of the action activity to comply. If the item manager inadvertently forwards an SDR for action to DCMA via Reply Code 501, DCMA will return (forward) the SDR to the ICP using the appropriate 300-series forwarding reply code. This forwarding method will trigger transfer of the action back to the item manager in WebSDR and action activity systems. The DCMA responder should include relevant remarks, (e.g., “Forwarding to DCMA for action not authorized; DCMA not responsible for inspection or acceptance.”)

(b) In some instances, the DCMA DoDAAC identified as the Contract Administration Office (CAO) in the contract will delegate authority to another DCMA Field Office to provide administrative support for the contract due to geographic reasons. If the original DCMA office that received the SDR for action forwards the SDR to another DCMA DoDAAC for investigation, this action will occur internal to PDREP and WebSDR will not receive this information via SDR transaction update. PDREP will show the DCMA CAO DoDAAC when replying to the item manager for this SDR. This internal forwarding action within PDREP will not change the replying DCMA DoDAAC on the outgoing transaction sent to WebSDR. This will ensure WebSDR metrics and database are in alignment with the contract.

(c) When the Navy or Marine Corps use PDREP to forward the action copy of an SDR to DCMA using the 501 forwarding code, PDREP must send the outgoing reply transaction with Reply Code 501 to WebSDR. Do not use SDR Reply Code 501 for use on SDRs formatted as Historical (Transaction Set Purpose Code 49). Instead, WebSDR will support the requested forwarding action and send the transaction to the DCMA DoDAAC identified in the transaction. This process allows WebSDR and the internal WebSDR metrics table to reflect the most current information and ensures a standard process.

(5) The temporary workaround authorized in ADC 1005 to forward the SDR to the DCMA default email account for determination of the appropriate office is withdrawn. If a DCMA DoDAAC is not available on an SDR citing Reply Code 501, WebSDR will reject the transaction for missing or invalid DoDAAC with a Reply Code 944, with remarks from WebSDR “No DCMA DoDAAC identified for this SDR.” This procedure will eliminate the need for the WebSDR to route transactions without a DCMA DoDAAC to a generic email account.

(6) The applicable cause code values for this change are:

CN - Contractor Noncompliance. Materiel received by the storage site, customer, transshipper (e.g., Consolidation and Containerization Point (CCP) or aerial port) is not in accordance with the contract requirements (e.g., shortage, wrong item, missing item unique identification (IUID), missing documentation, etc.).

CP - Contractor Packaging Noncompliance. Materiel received by the storage site, customer, transshipper (e.g., CCP or aerial port) with packaging/labeling that is not in accordance with the contract requirements (e.g., materiel damaged as a result of inadequate packing, missing passive radio frequency identification (pRFID) tag, noncompliant wood packaging material, etc.).

CS - Contractor Noncompliance (Subcontractor). Materiel received by the storage site, customer, transshipper (e.g., CCP or aerial port) is not in accordance with the contract requirements (e.g., shortage, wrong item, missing item unique identification (IUID), missing documentation, etc.) and was determined to be a subcontractor/vendor fault.

Staffing Note: Use of the Cause Code CS is optional; replying activities may choose to use the Cause Code CN or CP in lieu of CS.

(7) The Defense Automated Addressing System (DAAS) will develop a mechanism (web service or other process deemed by the trading partners to be the most efficient) to transmit the SDR data from WebSDR for use in PPIRS-SR. SDRs selected for this transmission must contain Cause Code CN, CP, or CS only (or have a subsequent update removing the contractor noncompliance cause code). See Enclosure 2 for applicable data content.

(8) Contractors may submit challenges to SDR findings of noncompliance via PPIRS-SR. PPIRS-SR will automatically withdraw the record for challenges received within 14 days of the noncompliance finding. These will not count against the vendor until PPIRS-SR receives a response to the challenge. However, if the vendor submits a challenge after the 14-day period, the record will remain within PPIRS-SR until PPIRS-SR receives a response to the challenge.

(a) After initial determination of contractor/vendor noncompliance, subsequent research may find that contractor/vendor noncompliance is not applicable, (e.g., in response to a contractor challenge). When this occurs, the item manager (action activity) must provide a new SDR reply containing Reply Code 151 (replacement/revised disposition/status; prior response is superseded) (Reference 3.g.) and no cause code (or a replacement cause code not associated with the contractor noncompliance).

(b) After further discussions with the PPIRS-SR QWG it was determined that SDRs will be recorded in the quality module of PPIRS-SR. Similar to the PQDR challenge process, PPIRS will use the first position of the replying activity DoDAAC to determine the Component providing the contractor noncompliance code for the applicable SDR record. PPIRS-SR will then assign a one-digit PPIRS Service/Agency code to the SDR record in PPIRS. For example, if the SDR record showed DoDAAC N00391 provided the final reply on the SDR citing a vendor noncompliance cause code, PPIRS-SR would interpret this to be a Navy activity and assign the appropriate PPIRS Service/Agency Code N to the SDR record. PPIRS utilizes the Service/Agency code internally within PPIRS-SR to facilitate the routing of a challenge from the vendor.

(c) DLA currently provides PPIRS with a unique code for each procurement office DoDAAC cited in DLA Procurement Instrument Identifiers (PIID or PIID call order number where applicable). DLA provides the unique codes so that PPIRS-SR can route vendor challenges directly to the applicable DLA supply chain point of contact (POC). After discussions with the PPIRS and the DLA challenge team POCs, it was determined that DLA wants PPIRS to leverage this existing process for challenges applicable to SDRs.

Additionally, PPIRs will assign a default Service/Agency Code D for DLA routing when the contract issuing activity DoDAAC does not have an assigned code. DLA established a general email box accessible by all DLA challenge team focal points to resolve these.

(d) PPIRS-SR will assign a one-digit PPIRS Service/Agency code based on the DoDAAC of the Component providing the final reply. For DLA replies, this will be the procurement activity DoDAAC.

(9) Item managers must be prepared to respond to contractor challenges. PPIRS-SR will disseminate challenges to designated focal points based upon the responding item manager. Additionally, PPIRS-SR will break down DLA challenges based upon the procurement activity DoDAAC to forward to the appropriate supply chain as described above in paragraph 7.c.

(10) DCMA must respond to the action copy of the SDR within 25 days when identified via the SDR reply code of 501 as the action activity. After 25 days, the original submitter may initiate a follow-up (Transaction Set Purpose Code 45) to DCMA.

(11) Submitting systems must be able to recognize the DCMA DoDAAC as the current action activity based upon the use of the Reply Code 501 and address follow-ups (Transaction Set Purpose Code 45) to DCMA accordingly.

(12) DCMA will use a reply transaction (Transaction Set Purpose Code 11) to provide results of their investigation to the item manager (action activity). DCMA must include the applicable 300-series reply code and address the SDR to the applicable item manager (action activity)

(13) The Distribution Standard System (DSS) must not close the SDR when the item manager (action activity) uses a 501 forwarding reply code to transfer action to DCMA. In addition, DSS will reflect the SDR to be updated to an interim response (DSS internal Report of Discrepancy (ROD) Status I), when a 501 forwarding reply code is used by the item manager to transfer action to DCMA.

(14) When DCMA replies using the 300-series reply code to transfer action to the item manager, DSS must not close the SDR based on this reply. The SDR in DSS must reflect an interim response status (DSS internal ROD Status I).

d. Revisions to DLM 4000.25 Manuals:

(1) Revise DLM 4000.25, Volume 2, Chapter 17 revisions (procedures) as shown in Enclosure 1.

(2) Revise DLM 4000.25, Volume 2, Appendix 7.28, Supply Discrepancy Report Relevant Data Elements to adjust the explanation for existing SDR reply codes as shown in Enclosure 3.

(3) Revise DLMS Implementation Convention (IC) as shown.

#	Location	Change Table for 842A/R SDR Reply	Reason
1.	DLMS Introductory Note	<p><u>Add ADC 1181A to DLMS Introductory note:</u></p> <p><i>- ADC 1181A, Implementing the Cause Code for SDRs and Developing a Data Exchange Between WebSDR and Past Performance Information Retrieval System-Statistical Reporting Next Generation (PPIRS-SR NG) for Contractor Noncompliance SDRs</i></p>	To identify DLMS changes included in the DLMS.
2.	2/LQ01/4650	<p><u>Revise DLMS note for existing Code "GY".</u></p> <p>GY Cause of Loss DLMS Note: 1. Use to identify the <i>cause code when providing owner/manager final disposition. This is a DLA unique data element and is not applicable to other Components.</i></p> <p><i>2. Use is optional except when applicable to SDR Document Type 6, 9, P, or W (for vendor shipment) and the validated discrepancy is attributed to the fault of the contractor. When this is determined, the owner/manager must cite the applicable Cause Code: CN - Contractor Noncompliance CP - Contractor Packaging Noncompliance CS - Contractor Noncompliance (Subcontractor)</i></p> <p><i>3. Also, use to identify the Cause Code when providing DCMA interim reply to the owner/manager for contractor noncompliance.</i></p> <p>4. A data maintenance action was approved in version 5030. The approved code/name is "DCC - Cause Code".</p>	Remove DLA unique reference.

e. **Approved Transaction Flow:**

(1) Item manager (action activity) awards a contract to a contractor/vendor for materiel shipped to a storage activity, directly to the customer, consolidation and containerization Point (CCP) or aerial port.

(2) Materiel arrives and upon receiving the shipment of materiel, it is determined, there is a supply discrepancy.

(3) The storage site, customer, CCP, or aerial port creates an SDR containing the PIID based on receiving non-conforming materiel.

(4) The item manager (action activity) receives the SDR and upon research determines vendor noncompliance, the item manager (action activity) will reply to the SDR using the Cause Code CN, CP, or CS.

(5) Prior to forwarding the SDR to DCMA for action, the item manager will reply to the SDR submitter and requests evidence of the discrepancy with Reply Code 104. The item manager will annotate in the remarks section of the SDR the request for photographs or documentation supporting the discrepancy reported.

(6) The SDR submitter will reply to the request for evidence of the discrepancy with Reply Code 321 (DLA Distribution Centers via Status Update) or using an SDR Correction (all others lacking status update functionality).

(7) The item manager (action activity) will forward the action copy of the SDR to DCMA using Reply Code 501, "SDR assigned to DCMA for investigation." Note: This step is only applicable when the contract indicates that DCMA is responsible for inspection or acceptance.

(8) WebSDR will send a copy of the reply to the submitter (customer, distribution center/storage activity, or transshipper).

(9) DSS will update the SDR to an interim response (DSS internal ROD) Status I) in DSS.

(10) If the item manager incorrectly forwards the SDR to DCMA for action (e.g., DCMA was not responsible for inspection or acceptance), DCMA will return (forward) the SDR to the item manager with the appropriate 300-series reply code and applicable remarks.

(11) DCMA researches and investigates the discrepancy and, if applicable, inputs the appropriate cause code if the investigation determines the SDR was a result of contractor/vendor/subcontractor noncompliance. DCMA will include the findings of their investigation in the remarks section of the SDR or in an attachment included in the reply.

(12) DCMA is required to reply to the transferred SDR within 25 days. If DCMA is unable to conclude their investigation within 25 days, DCMA will generate an interim response (e.g., Reply Code 503 or 515) indicating the expected timeframe for closure.

(13) DCMA returns (forwards) the SDR to the Component item manager using the appropriate 300-series forwarding reply code.

(14) The item manager reviews, researches further as needed, and determines the SDR was a result of contractor/vendor/subcontractor noncompliance.

(15) The item manager will include or update the contractor noncompliance code (CN, CP, or CS) as provided by DCMA.

(16) For shipments out of DLA Distribution, DSS will update the SDR to reflect disposition received (DSS internal ROD Status D).

(17) Distribution center personnel will take the appropriate action on the SDR per the disposition instructions and close the SDR in DSS (DSS internal ROD Status C).

(18) DAAS will capture the SDR record containing the contractor/vendor noncompliance code (CN, CP, or CS) on a daily basis.

(19) DAAS will transmit the SDR records containing the Cause Code CN, CP, or CS and other required SDR data elements for PPIRS-SR use on a daily basis.

(20) PPIRS-SR will include the SDR data as evaluation criteria for vendor performance.

(21) If the vendor challenges an SDR being closed out as noncompliance, and the item manager determines the vendor's challenge is valid, the item manager will generate a replacement SDR reply including Reply Code 151 and no contractor noncompliance cause code.

(22) WebSDR programing logic will be updated to determine if the item manager generated a replacement SDR reply, which removed, updated, or added the contractor noncompliance Cause Codes CN, CS, or CP, and will send the updated record to PPIRS-SR.

(a) WebSDR must be able to determine the absence of the cause code in the SDR reply containing Reply Code 151 (indicating the cause code was removed) and will send the updated record to PPIRS-SR.

(b) Alternatively, updating the cause code to include Cause Codes CN, CS, or CP with Reply Code 151, will trigger WebSDR to send the updated record to PPIRS-SR..

(c) WebSDR must be able to distinguish between cause codes input by DCMA and the item manager (original action activity responsible for forwarding the SDR to DCMA). WebSDR will only transmit SDR record data to PPIRS-SR when the item manager indicates Cause Code CN, CP, or CS.

(23) PPIRS-SR will update the vendor's performance rating based on the Cause Code CN, CP, or CS (removed, updated, or added), as appropriate.

f. Alternatives:

(1) Require each Component to provide SDR data to PPIRS-SR. This would require each Component to develop an interface/data exchange with PPIRS-SR and would not be efficient or cost effective.

(2) In the absence of the cause code, WebSDR would have to develop a complex logic based on the SDR document type code, existing SDR reply codes, and discrepancy codes to determine what type of data to feed to PPIRS. This approach would not be efficient or cost effective, as it would require extensive programming in WebSDR and the results might not be accurate, leading to challenges by the contractor.

5. REASON FOR CHANGE: This change will provide a consistent data element location to signify contractor/vendor/subcontractor noncompliance on SDRs. It will also establish a DOD data exchange mechanism between WebSDR and PPIRS-SR for evaluation of contractor performance.

6. ADVANTAGES AND DISADVANTAGES:

a. **Advantages:** Using the cause code as an SDR data element on the final reply by the item manager (action activity) will allow SDR data records to have a standard data element to signify contractor/vendor/subcontractor noncompliance as the cause of discrepancy. Developing a data exchange between WebSDR and PPIRS-SR will allow a consistent and standard mechanism to update a contactors/vendors performance. Acquisition specialists responsible for awarding contracts will now be able to make best value decisions based on vendor's performance inclusive of supply discrepancies.

b. **Disadvantages:** Requires additional reply transactional exchange for SDRs provided for information only.

7. ASSUMPTIONS USED OR WILL BE USED IN THE CHANGE OR NEW DEVELOPMENT:

This proposed change does not determine the weight or algorithmic criteria factor that SDRs will be given in PPIRS-SR. The PPIRS-SR Quality Working Group (QWG) is the authority on how SDRs will be weighted in PPIRS-SR.

8. ADDITIONAL COMMENTS TO CONSIDER:

a. The process described in this DLMS change requires the PIID (formerly contract number) to be present in the SDR. Therefore, contractor shipments using a document number as the controlling number for the materiel movement without reference to an associated PIID will not be captured for use in vendor performance. The volume of contractor shipments identified by a document number alone is unknown.

Staffing Note: For all vendor shipments, the item manager must ensure the procurement instrument identifier (PIID) is provided, even when not captured in the associated receipt or provided by the submitter.

b. DLA currently assigns fault using a variety of cause codes. After further consideration, Components may choose to use these codes at their discretion. Use of these codes will not impact the contractor/vendor evaluation process. The expanded cause code values are identified in Logistics Data Resources Management System (LOGDRMS) <https://www.dlms.dla.mil/LOGDRMS/DLMSQualifier/Details/E4CCB333-F6B2-45FB-845E-343A89FE238A>

9. ADDITIONAL FUNCTIONAL REQUIREMENTS:

a. PPIRS-SR QWG will determine how to apply the SDR data to the PPIRS algorithm to effect the vendors' performance in PPIRS-SR.

b. DCMA will monitor information copies of SDRs forwarded to DCMA under WebSDR distribution rules based upon the presence of a DCMA CAO DoDAAC in the SDR. DCMA will not update SDRs based upon receipt of an information copy only. However, DCMA may contact the contractor regarding contractor performance based upon identification of recurring problems or other concerns, even when no SDR has been transferred for DCMA action using Reply Code 501. DCMA may coordinate with the item manager outside the WebSDR process.

c. Attachment functionality within the submitter's SDR system will facilitate communication of vital information supporting claims of contractor noncompliance. Component

that have deferred this functionality within their SDR system should consider expediting the standard attachment interface.

10. ESTIMATED TIME LINE/IMPLEMENTATION TARGET:

- a. Request Components implement the use of cause codes by November 1, 2017.
- b. WebSDR will implement the interface supporting PPIRS-SR by November 1, 2017.

11. ESTIMATED SAVINGS/COST AVOIDANCE ASSOCIATED WITH IMPLEMENTATION OF THIS CHANGE: DLA provided a report for calendar year 2016, which cited SDRs (Document Type code 6, 9, P, W) closed citing Cause Code CN, CP, or CS. The total number of SDRs were 8,786 representing materiel valued at \$177,323,927.

12. IMPACT:

- a. **New DLMS Data Elements:** There are no new data elements identified in this change.
- b. **Changes to DLMS Data Elements:** Revise the data element Cause Code (Qualifier GY) in LOGDRMS.

- (1) Revise the data element definition:

Summarizes the underlying cause of the ~~customer~~ complaint (Supply Discrepancy Report (SDR), Storage Quality Control Report (SQCR), Product Quality Deficiency Report (PQDR)). Only one cause code may be used per complaint under DLMS. For SDRs the cause code is optional except when applicable to contractor shipments and the validated discrepancy is attributed to the fault of the contractor. Contractor noncompliance must be identified by Cause Codes CN, CP, or CS.

- (2) Revise the definition for Cause Codes CN and CP:

CN Contractor noncompliance (~~prime contractor~~)

CP Contractor **packaging** noncompliance (~~packaging contractor~~)

- (3) Add DLM 4000.25 Volume 2 as the code source. The original source of this data element was DLA Handbook 4140.4, "Customer Depot Complaint System," April 1, 1996.

c. Automated Information Systems (AIS):

- (1) Component AIS

(a) Each Component system generating a final reply by the item manager (action activity) signifying contractor noncompliance will update to implement the use of the cause code and regardless of the SDR action code ensure outgoing transactions are transmitted to WebSDR.

(b) Item managers must ensure they have procedures in place and access available to the necessary information to respond to contractor SDR challenges forwarded to the existing PPIRS focal point.

(2) Navy

(a) PDREP-AIS must be modified to transmit the DCMA reply using a 300-series forwarding reply code and identifying the item manager (action activity) as the transaction-to address.

(b) PDREP-AIS or PPIRS-SR must be updated to accept the data exchange interface.

(c) PPIRS-SR will need to be updated to accept SDR data for contractor evaluation.

(3) DSS will update the SDR to an interim response (DSS internal ROD Status I) in DSS when the item manager (action activity) forwards the SDR to DCMA using Reply Code 501 . The SDR will remain in an interim response status (DSS internal ROD Status I) when DCMA replies to the item manager using the 300-series forwarding reply code.

d. Defense Automated Addressing System (DAAS):

(1) Develop a mechanism (web service or other process deemed by trading partners to be the most efficient) to transmit the SDR data from WebSDR for use in PPIRS-SR on a daily basis using data listed at Enclosure 2.

(2) Revise WebSDR reply screen to allow input of the cause code. For initial implementation, a drop box selection option should include CN – Contractor Noncompliance, CP – Contractor Packaging Noncompliance, and CS – Contractor Noncompliance (subcontractor).

(3) DAAS will revise WebSDR detail screen to display the cause code field.

(4) WebSDR will reject Historical SDRs (Transaction Set Purpose Code 49) containing Reply Code 501. WebSDR will use Reply Code 938 (Transaction rejected. Missing or invalid transaction set purpose code) and include the appropriate narrative remarks.

(5) WebSDR will reject reply transactions from DCMA that do not contain a 300-series forwarding reply code. WebSDR will use Reply Code 927 (Transaction rejected. Missing or invalid disposition/reply code) and include the appropriate narrative remarks.

(6) DAAS will update management reports to separate the designation of cause codes input by DCMA and the item manager. The reports must not override the cause code input by DCMA, but rather include additional columns to indicate the cause code input by DCMA, the item manager, and if the item manager updated the cause code based on receiving a challenge from a vendor, which resulted in the Cause Code CN, CP, or CS, being removed.

(7) WebSDR will inform PPIRS-SR of any SDR record previously sent to PPIRS-SR as being closed out citing Cause Code CN, CS, or CP if these codes have changed by either removing, updating or adding them.

e. Non-DLM 4000.25 Series Publications:

(1) DOD Components will need to update their internal policies and procedures to require the SDR final reply by the item manager to include the cause code when the research determines the SDR is a result of contractor/vendor noncompliance.

(2) Establish policy to link vendor evaluations/performance ratings to SDRs and TDRs (when applicable).

13. PROPOSED DLMS CHANGE 1181A STAFFING RESPONSE/COMMENT RESOLUTION:

	Originator	Response/Comment	Disposition
1.	Army	Concur as written.	Noted.
2.	Marine Corps	Concur as written.	Noted.
3.	Air Force	Concur as written.	Noted.
4.	DLA	Concur with comments. Full implementation date is dependent on an EBS RFC for Type W SDRs.	Noted.
5.	Navy	Concur as written.	Noted.
6.	GSA	<p>Concur with comments.</p> <p>1. The PDC discusses replies on cases to provide the cause code. A number of SDRs we process are information only, which would not normally require a reply. This would have us making replies to all cases including information only cases. This affects our staffing and productivity.</p> <p>It would also require a change to Vision for implementation of the cause codes. For FY 2017 we are limited on IT funding.</p> <p>We should be able to provide this data in reports without the extra staffing and IT requirements.</p>	<p>Noted.</p> <p>The DLMS Program Office understands the impact to workload, however the change only calls for replies to "info only" SDRs which you feel are contractor non-compliance, not all "info only SDRs".</p> <p>The change calls for the cause code field populated with CN, CP, orCS to be the trigger to send the SDR to PPIRS to effect the vendors weight/color. If GSA cannot implement this at this time, we hope that this will be put on your list of implementations in</p>

			the near future when funding is available.
7.	US TRANSCOM	No comments received.	Noted.
8.	DCMA	We have a few language changes and clarifications we are working. Specifically, DCMA is concerned with the action activity forwarding SDRs to DCMA for action when DCMA did not perform inspection/ acceptance. Additionally, DCMA requested guidance include requirements for evidential matter supporting contractor noncompliance claims and clarification regarding the expected content of DCMA SDR replies.	Noted. Updates posted to ADC to address DCMA concerns.

Enclosure 1, Defense Logistics Manual (DLM) Chapter Revisions

Revise DLM 4000.25, Defense Logistics Management Standards, Volume 2, Chapter 17, Supply Discrepancy Reporting, as shown.

Changes are identified by ***bold red italics*** and strike-through text. Intervening text between updated paragraphs is not shown.

C17.3.12.1.2. Replies. Action activities will reply to SDRs by submission of a DLMS 842A/R to WebSDR or via direct WebSDR input. SDR replies will indicate the appropriate disposition, (e.g., acknowledgment of the report, disposition of the materiel, validation of the report with authorization of financial adjustment, and/or instructions for repackaging, repair or other types of corrective action). SDR replies must contain the appropriate discrepancy code consistent with all information provided by the customer. This may require updating of the discrepancy codes used by the customer to assign the appropriate discrepancy code for the scenario described in the SDR remarks. The action activity will identify the disposition/status using the appropriate Reply Code (Appendix 7.28). ***Action activities may include the applicable cause code in the SDR to provide better visibility of the underlying reason for the SDR; cause codes are required for SDRs associated with contractor/vendor noncompliance. Upon subsequent determination that contractor/vendor noncompliance is not applicable, (e.g., in response to a contractor challenge), the item manager must provide a new SDR reply containing Reply Code 151 (prior response is superseded) and no cause code (or a replacement cause code not associated with the contractor noncompliance).***³ Action activities will ensure that inappropriate reply codes are blocked from use when responding to transshipper SDRs (Document Type Code W). Shipment information applicable to direct vendor deliveries, new procurement, etc., must be completed by the action activity where incomplete or inaccurate on the original report. This includes identification of the shipping activity or vendor (by CAGE), ***PIID***, and identifying shipment numbers. DLMS compliant applications must also ensure that direct vendor delivery shipments are identified by Document Type Code 6 on the SDR reply, regardless of what the customer originally designated.

(Intervening text not 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. Such interim replies will identify any other action activities involved and, when feasible, indicate when additional status will be provided. Identify the interim disposition/status using the appropriate reply code. ***Interim reply codes in the 300 or 500 series are typically used to designate an interim reply involving forwarding to another organization*** (Appendix 3). When the storage activity forwards an SDR to the ***source of supply*** for action using a 300-series interim reply code, the SDR transaction must be formatted to identify the ***source of supply*** RIC as the action activity. WebSDR will provide notification of forwarding action to the SDR initiator. This “forwarding” process and associated format will allow the reply transaction, including the initial responder’s reply remarks, to be transmitted to the new action activity. WebSDR will recognize the new action activity for reports and Web responder role access. If no coding exists to specifically identify the reasons for the delay, select Reply Code 137 and provide a clear-text explanation.

³ ***Refer to ADC 1181A.***

(Intervening text not shown)

C17.3.12.1.2.1.2. Item Manager Forwarding to Defense Contract Management Agency (DCMA). SDRs may only be forwarded to DCMA for action when the contract indicates that DCMA is responsible for inspection or acceptance. SDRs lacking this evidence of the discrepancy will make it difficult for DCMA to support a claim of vendor noncompliance. Therefore, if the SDR submitter did not provide evidential matter substantiating the discrepancy at time of creation, the item manager will reply to the SDR submitter and request additional information using Reply Code 104. The item manager will annotate in SDR remarks requesting photographs or documentation supporting the discrepancy reported. DLA Distribution Centers will reply to the request for evidence of the discrepancy using a Status Update with Reply Code 321. Customers (or others lacking status update functionality) must provide an SDR Correction in response to the request. SDR submitters may upload attachments via SDR if their SDR system does not provide attachment functionality. DCMA is required to reply to SDRs forward for action (Reply Code 501) within 25 days. If DCMA is unable to conclude their investigation within 25 days, DCMA will generate an interim response (e.g., citing Reply Code 503 or 515) indicating the expected timeframe for closure.

C17.3.12.1.2.1.3. DCMA Response to the Item Manager. DCMA will include the findings of their investigation in the remarks; additional information may be included using the SDR attachment functionality. These findings may include but are not limited to: validation of reported discrepancy, cause of deficiency, responsibility of deficiency, and corrective action take to prevent reoccurrence of deficiency. DCMA will forward the SDR to the responsible item manager (original action activity) using the 300-series forwarding reply code. DCMA must provide the appropriate disposition reply in conjunction with the 300-series forwarding reply code regardless of whether or not contractor noncompliance is determined. The 300-series forwarding reply code dictates the structure of the reply transaction requiring the action activity identified as the item manager and will trigger the appropriate transfer of action in WebSDR and the receiving Component item manager system. If the item manager incorrectly forwards the SDR to DCMA for action, DCMA will return (forward) the SDR to the item manager with the appropriate 300-series reply code and clarifying remarks, (e.g., “Forwarding to DCMA for action not authorized; DCMA not responsible for inspection or acceptance.”) The item manager will provide the final reply as appropriate.

(Intervening text not shown)

C17.3.13.2. Time Standards for SDR Response. Responsible action activities will reply to all SDRs received within the following time standards. Interim responses will be provided when extenuating circumstances necessitate additional processing time.

(Intervening text not shown)

C17.3.13.2.9. DCMA will respond to SDRs forwarded for action within 25 calendar days.⁴

(Intervening text not shown)

⁴ *Ibid.*

C17.3.20. Defense Automatic Addressing System (DAAS) SDR Processing

(Intervening text not shown)

C17.3.20.2. WebSDR will edit SDR transactions prior to passing/routing to ensure minimal standards of acceptability.⁵ Reject to the generating activity SDR and follow-on transactions that do not meet the following conditions:

(Intervening text not shown)

C17.3.20.2.20. WebSDR will reject Historical SDRs (Transaction Set Purpose Code 49) containing Reply Code 501 (SDR assigned to DCMA for investigation). SDRs forwarded to DCMA must be processed using a reply transaction through WebSDR in order to maintain visibility of the transfer of action. WebSDR will use Reply Code 938 (Transaction rejected. Missing or invalid disposition/reply code) and include the appropriate narrative remarks.⁶

C17.3.20.2.21. WebSDR will reject any SDR reply from DCMA that does not contain a 300-series forwarding reply. Use of the 300-series reply code is required to maintain visibility of the transfer of action back to the item manager (action activity). WebSDR will use Reply Code 927 (Transaction rejected. Missing or invalid disposition/reply code) and include the appropriate narrative remarks.⁷

(Intervening text not shown)

C17.3.20.8. DAAS will prepare and transmit the WebSDR Contractor Noncompliance Data Extract as an automated interface in support of contractor evaluation by Past Performance Information Retrieval System-Statistical Reporting Next Generation (PPIRS-SR NG). SDR records will be selected based upon inclusion of an SDR cause code indicating contractor/vendor noncompliance (Cause Codes CN, CP, or CS) in the final reply by the item manager. WebSDR will monitor SDR updates for changes to the cause code and transmit the SDR Data Extract to PPIRS-SR NG if a previously assigned contractor noncompliance code has been removed or new noncompliance cause code has been added or updated. Applicable data content for transmission is identified in Appendix 8.56. Transmission will occur on a daily basis containing only those SDRs validated since the previous transmission.⁸

⁵ Refer to ADC 452, Implementation of DOD WebSDR Automated SDR Rejection Capability.

⁶ ***Refer to ADC 1181A.***

⁷ ***Ibid.***

⁸ ***Ibid.***

Enclosure 2, Interface Data Requirements

- a. Update Appendix 8, Formats Index, to list Appendix AP8.56, WebSDR Contractor Noncompliance Data Extract.
- b. Add new Appendix AP8.56 as a hyperlink to the Appendix 8, Formats Index.

AP8.56 APPENDIX 8.56

WEBSDR CONTRACTOR NONCOMPLIANCE DATA EXTRACT⁸

Data Element Name	A=Alpha N=Numeric	Field Length Min/Max	M=Mandatory O=Optional
Submitting Activity (DoDAAC)	A/N	6/6	M
SDR Document Type	A/N	1/1	M
Customer Preparation Date (YYYYMMDD)	N	8/8	M
Action Activity (DoDAAC assigning Cause Code)	A/N	6	M
DoD WebSDR Control Number	N	11/11	M
Contract Administration Office	A/N	6/6	M
Procurement Instrument Identifier (PIID) (Contract Number)	A/N	13/19 ⁹	M
Vendor Commercial and Government Entity (CAGE) Code ¹⁰	A/N	5/5	M
Action Activity Reply Date (YYYYMMDD)	N	8/8	M
Matériel Identification:	A/N	(variable)	M
National Stock Number		13/13	
Part Number		32	
Manufacturer's CAGE Code		5	
LSN/Other Matériel Identification		13/25	
Cause Code	A	2/2	M

⁸ Refer to ADC 1181A.

⁹ Refer to ADC 1161, Update Uniform Procurement Instrument Identifier (PIID) Numbering System.
Note: If only the PIID call/order number is available, it will be provided in this data field.

¹⁰ Populated by the shipper field in WebSDR.

Quantity Discrepant (not included when Document Type W)	N	1/7	O
Discrepancy Code 1	A/N	2/4	M
Discrepancy Code 2	A/N	2/4	O
Discrepancy Code 3	A/N	2/4	O
Contract Line/Subline Item Number	A/N	4/6	O
Call/Order Number	A/N	4 ¹¹	O
Vendor-Assigned Shipment Number	A/N	7/22	O
Disposition Reply Code 1	N	3/3	M
Disposition Reply Code 2	N	3/3	O
Disposition Reply Code 3	N	3/3	O
Document (Requisition) Number (only included when Document Type 6)	A/N	14/14	O
Document Number Suffix	A/N	1/1	O

¹¹ Refer to ADC 1161, Update Uniform PIID Numbering System. The call/order number will only be provided as a discrete data field when populated with the legacy four-position data element. Otherwise, the PIID call/order number will be reflected in the PIID data field.

Enclosure 3, DLM Appendix Updates

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

AP7.28.4 Discrepancy Status or Disposition (Reply) Codes

[Intervening text not shown]

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

515 Procurement/DCMA awaiting response from contractor; ~~SDR suspended.~~