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

January 30, 2017

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

SUBJECT: Approved Defense Logistics Management Standards (DLMS) Change (ADC)
            1203, Supply Discrepancy Report (SDR) Procedures for Packaging Discrepancies
            at Foreign Military Sales (FMS) Freight Forwarder or Component Retail/Tactical
            Level Activities including Estimated/Actual Repackaging Cost
            (SDR/Supply/Finance)

        The attached change to DLM 4000.25, Defense Logistics Management Standards (DLMS), is
approved for implementation. Code value updates must be implemented jointly on March 1, 2017.
Phased and staggered implementation is authorized for all other changes. Specific target
implementation dates are identified in the attachment. The updated DLMS Implementation
Conventions (IC) will be posted to the Enterprise Business Process Standards Office Web at
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, SDR Alternate, e-mail
benjamin.breen@dla.mil. All others must contact their Component designated Supply PRC
representative or SDR PRC representative available at:
www.dlmso.dla.mil/eLibrary/ServicePoints/allpoc.asp.

                                    HEIDI M. DAVEREDE
                                    Program Manager
                                    Enterprise Business Process
                                    Standards Office

Attachment
As stated

cc:
ODASD (SCI/TP)
Supply PRC (Primary/Alternate)
USTRANSCOM

Attachment to ADC 1203
Supply Discrepancy Report (SDR) Procedures for Packaging Discrepancies at FMS Freight Forwarder or Component Retail/Tactical Level Activities Including Estimated/Actual Repackaging Cost

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION: Ellen Hilert, DOD SDR System Administrator, and Ben Breen, SDR Alternate, Enterprise Business Process Standards Office, e-mail: DLMSSDR@dla.mil

2. FUNCTIONAL AREA:

    a. Primary Functional Area: Supply/SDR

    b. Secondary Functional Process: Finance

3. REFERENCES:

    a. Defense Logistics Management Standards (DLMS) Manual, DLM 4000.25, Volume 2, Chapter 17, Supply Discrepancy Reporting and Volume 4, Chapter 2, Billing Procedures

    b. Defense Transportation Regulation (DTR) Part II, Cargo Movement, Appendix E

    c. Defense Security Cooperation Agency (DSCA) Manual 5105.38-M available via DSCA's E-Security Assistance Management Manual (SAMM)

4. APPROVED CHANGE(S): Substantive revision subsequent to staffing are <mark>highlighted in green</mark>.

    a. <u>Brief Overview of Change</u>: This change documents procedures for processing DLMS SDRs submitted for reimbursement of repackaging costs. These procedures are primarily applicable to (a) FMS shipments frustrated at the freight forwarder facility due to packaging and documentation discrepancies and (b) retail/tactical activity discrepant receipts where repackaging is required prior to storage or distribution.

    b. <u>Background</u>:

        (1) Sᴅʀs Submitted for Reimbursement of Repackaging Costs. DLMS procedures for SDRs delineate how SDRs are used to document repackaging costs at the wholesale level, and to request disposition for discrepant receipts where repackaging costs exceed the distribution center dollar threshold for automatic repackaging. However, DLMS SDR procedures do not clearly document the business rules to submit SDRs for reimbursement of repackaging costs when the discrepant materiel has been received by a Service retail/tactical activity or is frustrated at a freight forwarder supporting a Security Assistance (SA) customer. The Services identified a need to clarify these procedures to ensure customers obtain appropriate financial compensation when errors in packaging occur and repackaging is required for proper transportation or storage.

(2) DTR Guidance. DTR Part II, Cargo Movement, Appendix E, Section H.6 (Reference 3.b.) states:

"6. HAZMAT Certifications. DOD/USG origin shipping activities must certify FMS HAZMAT shipments for overseas movement. This is required whether shipments are exported via the DTS or by FMS purchasers/Freight Forwarders. Freight forwarders cannot violate the integrity of any SU, including SCP shipments. If they receive SUs certified only according to 49CFR, they must hire a certified commercial packer to unpack, repack and then certify the SU according to international regulations (International Air Transport Association [IATA]/International Civil Aviation Organization [ICAO] or International Maritime Dangerous Goods). The bill for this service is passed to the FMS purchaser who, in turn, will make a claim against DOD for reimbursement via the SDR process. If an NOA is for HAZMAT, the NOA response will tell the shipping activity whether the cargo will move overseas by air or surface so it can be certified accordingly. DOD policy states that all HAZMAT certifications may be done on continuation pages of BLs. A NOA addressee cannot demand any kind of special form that is not required under DOD regulations. DOD regulations will determine which form will be used for a HAZMAT certification.)"
Staffing Note: Refer to paragraph 10.e(2) for DLMS Program Office recommended revisions to the DTR guidance.

(3) Current DTR guidance specifically directs the FMS purchaser to submit SDRs for reimbursement of repackaging costs after repackaging by a certified packer for improperly packed hazardous materiel. This guidance conflicts with the SDR process which is designed to allow the Component or DLA Distribution to provide disposition instructions to resolve a reported discrepancy. Submission of the SDR prior to repackaging permits action activities to determine the most appropriate resolution, which may be different than the approach authorized by the DTR. Action activities have the option to authorize (a) disposal with reshipment or credit/re-requisitioning, (b) return with reshipment or credit/re-requisitioning, or (c) other manner of resolution that is either convenient or cost effective for the Government. For example, when the materiel is shipped directly to the freight forwarder under a DOD contract, the contracting office may coordinate for the contractor to take corrective action.

c. Approved Change in Detail:

(1) Ensure that SDR applications submitting SDRs requesting credit for repackaging allow the user to populate the existing SDR data element for repacking cost. Component SDR applications supporting action activities must recognize and provide visibility of this information. This is an existing data element in SDR transactions, but may not be fully implemented within all systems. Refer to Enclosure 3.

(2) Adopt new systemic capability to distinguish estimated versus actual repackaging costs using a new estimated/actual cost flag in the SDR transaction. Systems must retain visibility of both when both are provided. Action activity systems should be designed to allow users to properly identify repackaging cost (as estimated or final) based upon the submitter's remarks text (pending DOD-wide implementation of the new cost flag).

(3) Ensure that SDR applications submitting SA SDRs allow users to populate the DLMS 842A/W SDR data element with the materiel location. Component SDR applications supporting action activities must recognize and provide visibility of this information. This is an

existing data element in SDR transactions that was updated to identify specific encoded values for different types of locations; it is not widely implemented. WebSDR will reject entries that do not contain valid code values (as established for DLMS use). Refer to Enclosure 3.

(4) Update DLMS procedures to provide more specific guidance for SDR submission and processing, and reimbursement under MILSBILLS. Note that repackaging by the freight forwarder or a third party contracted by the freight forward is an optional approach for resolution of the packaging discrepancy. The customer may request alternative action by the item manager. Refer to Enclosure 1.

(a) Packaging or documentation discrepancies that result in a frustrated shipment at the FMS freight forwarder location may be submitted regardless of dollar value. Reimbursement for repackaging of FMS materiel cannot exceed the value of the materiel; therefore, an estimated cost for repackaging of low dollar shipments (below $200) should not be obtained from a third party without prior approval.

(b) The SDR should normally be submitted for disposition prior to performing repackaging regardless of the dollar value; however, if there is an exception due to circumstances (such as leakage) requiring immediate attention, this must be reflected in the SDR remarks and supporting documentation. If the estimate provided on the initial SDR submission differs from the actual cost, the submitter should provide a correction to their SDR submission to alert the owner/manager to provide a corrected reimbursement amount.

(c) If materiel cannot be returned to the shipper in its current condition without incurring repackaging costs, this should be stated in the submitter's remarks.

(d) The submitter remarks must clarify whether the packaging cost provided is estimated or actual (remarks will be required until the new estimated/actual cost flag is fully implemented).

(e) In addition to actual repackaging cost reimbursement, Components must provide reimbursement to the FMS customer when a third party is employed to determine estimated repackaging costs. The invoice for this charge must be submitted as an SDR attachment.

(5) Establish new Reply Code 109 to distinguish credit provided for repackaging. Use of this new code is applicable to discrepancies requiring repackaging only. SDRs requiring both materiel reimbursement and repackaging (e.g., for a directed return shipment) may continue to document disposition using Reply Code 101.

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

(1) Revise DLM 4000.25, Volume 2, Chapter 17, Supply Discrepancy Reporting and Volume 4, Chapter 2, Billing 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 2 and add the new Reply Codes 109 and 919.

(3) Update DLMS Implementation Convention (IC) 842A/W Standard SDR, Follow-up, Correction, Cancellation, & Reconsideration Request and 842A/R SDR Reply as shown in Enclosure 3.

e. Transaction Flow: Standard SDR transaction flows apply. Refer to Enclosure 4 for typical sequence of SDR transactions for scenarios identified in this change.

f. Alternatives: SDR procedures support use of narrative text to identified estimated versus actual cost pending implementation of the new estimated/actual cost flag.

5. REASON FOR CHANGES: These changes document SDR procedures to clarify and improve transactional interfaces to ensure timely and appropriate handling of SDRs related to reimbursement of repackaging costs.

6. ADVANTAGES AND DISADVANTAGES:

a. Advantages: Clarifies procedures and data content for submission and processing of SDRs. Supports capability to identify both estimated and actual cost systemically. This becomes most significant when both are provided by allowing for comparison should there be a significant difference in cost.

b. Disadvantages: None noted.

7. ADDITIONAL FUNCTIONAL REQUIREMENTS: These procedures require the owner/manager to provide reimbursement for repackaging based upon a validated SDR. MILSBILLS procedures support this requirement via DLMS 810L Logistics Bill for Accessorial and Other Miscellaneous Billings (Legacy Document Identifier Code (DIC) FN2/GN2). MILSBILLS guidance is updated to specifically address this requirement at Enclosure 1. Pending implementation of this functionality for miscellaneous billings, Components may use existing MILSBILLS reimbursement procedures (as applicable to materiel).

8. ESTIMATED TIME LINE/IMPLEMENTATION TARGET:

a. Reply code updates will be effective for all trading partners 30 days from publication of the approved change.

b. Component SDR systems are authorized staggered implementation for data element enhancements for SA materiel location, repackaging cost, and estimated/actual cost flag with a target implementation not later than July 2017. Pending implementation, relevant information should be included in remarks text.

c. WebSDR transaction, input screen, and all relevant displays will have a target implementation date of six months from publication of the ADC. (Additional time will be allotted if it is not feasible to update the management report functionality within 6 months.)

d. Procedures for providing estimated and actual values (so identified using remarks text) and procedures for sequencing SDR submissions as outlined (original SDR, interim reply

from the action activity, and SDR correction) for Security Assistance frustrated shipments, are authorized for use upon approval of this change.

　　e. Components requiring systemic updates to adopt MILSBILLS functionality for packaging reimbursement using the DLMS 810L Logistics Bill for Accessorial and Other Miscellaneous Billings (Legacy DIC FN2/GN2) must implement for DLMS compliance by 2019.

9. ESTIMATED SAVINGS/COST AVOIDANCE ASSOCIATED WITH IMPLEMENTATION OF THIS CHANGE: Not available.

10. IMPACT:

　　a. <u>New DLMS Data Elements</u>: Establish a new data element in Logistics Data Resource Management System (LOGDRMS) as follows:

Estimated/Actual Cost Flag. This is a one position indicator used in conjunction with a dollar amount to distinguish between estimated and actual values.
A   Actual
E   Estimated

　　b. <u>Changes to DLMS Data Elements</u>:

　　　　(1) Revise data element "Location of Discrepant Security Assistance Materiel" to include code values as shown in Enclosure 3.

　　　　(2) Revise SDR reply code explanations and establish new Reply Code 109 as shown in Enclosure 2.

　　c. <u>Automated Information Systems (AIS)</u>:

　　　　(1) Component SDR systems must be upgraded to transmit or recognize (as applicable) the data content specified in this change: repackaging cost, estimated/actual cost flag, and location of discrepant Security Assistance materiel. Systems must not overlay estimated repackaging cost with the actual repackaging cost when both are provided.

　　　　(2) This change places an emphasis on supporting documentation to include photographs and invoices for repackaging costs. Component systems that have not yet implemented DLMS functionality to support incoming or outgoing attachments are asked to consider adopting this functionality for DLMS compliance and to reduce potential for dual system processing using the WebSDR attachment function (for input or view only).

　　d. <u>Defense Automatic Addressing System</u>:

　　　　(1) Revise reply code explanations and add new Reply Codes 109 and 919, and text as shown in Enclosure 2.

　　　　(2) DOD WebSDR transactions and direct Web input must be updated to

accommodate the new estimated/actual cost flag.

(3) DOD WebSDR must be upgraded to allow direct input of the location of discrepant SA materiel to support SA SDRs. Enhancements will be needed to recognize the code list adopted under this change, and display them using the clear text name on screens, and in e-mail SDRs. A new edit will be established to ensure only authorized values are submitted.

(4) WebSDR correction screens must be upgraded to allow for inclusion of the repackaging cost (for direct web entry, this data element is currently restricted to the original SDR input).

(5) This change relies upon previously approved functionality to recognize when SDRs have been forwarded, so that corrections (or other submitter-generated transactions) can be systemically directed to the correct current action activity.

(6) WebSDR management reports must be updated to display estimated and actual repackaging cost when discretely identified by the estimated/actual cost flag. To accomplish this, add a new column for "Estimated Repackaging Cost" while retaining the current column for Repackaging Cost (which will be used for both actual cost and, pending implementation of the new flag, for costs that are undefined). When repackaging cost is provided on the original SDR without the associated flag, the management report will display the repackaging cost in the current column for repackaging cost. If a correction is provided and contains a different value for repackaging cost, display the original value in the estimated cost column and the corrected value in the repackaging cost column.

e. **Non-DLM 4000.25 Series Publications**:

(1) Components must update internal operating procedures and provide training for new procedures. Pending implementation of enhanced data content, users should be instructed to include relevant information to include repackaging cost, estimated/actual cost flag, and location of discrepant SA materiel in SDR remarks.

(2) DSCA apply recommended update to DSCA Manual 5105.38-M, Chapter 6 comparable to the following. This change is necessary to authorize reimbursement for low dollar SDRs reporting a frustrated shipment at the freight forward's location due discrepant packaging or documentation attributed to the shipper.

C6.4.10.2. Time limits for reporting discrepancies relating to contractor warranties are prescribed in the individual warranty clauses and/or contracts. SDRs must be submitted by the purchaser within the contractor warranty timeframe, even when the warranty timeframe is less than one year after delivery or passage of title to the defense articles or less than one year after the scheduled period of performance of the defense service. SDRs are processed only when the estimated value is $200 or greater regardless of the type of discrepancy except for *shipments frustrated at the freight forwarder's location due to packaging or documentation discrepancies attributed to the USG or* misdirected or unordered shipments as described in Section C6.4.10.1.1. This minimum value includes the value of the item plus any transportation and handling costs. Purchasers may submit SDRs regardless of the dollar value so that problems can be

documented, but only those over the minimum dollar value are reviewed for possible compensation, *except as specifically authorized*.

      (3) USTRANCOM apply recommended update to the DTR, Part II, Appendix E, Section H. comparable to the following. This change is necessary to maintain consistent guidance among DOD publications.

      "6. HAZMAT Certifications. DOD/USG origin shipping activities must certify FMS HAZMAT shipments for overseas movement. This is required whether shipments are exported via the DTS or by FMS purchasers/Freight Forwarders. Freight forwarders cannot violate the integrity of any SU, including SCP shipments. If they receive SUs certified only according to 49CFR, *the Freight Forwarder will coordinate with the FMS purchaser for submission of an SDR documenting the problem and requesting disposition instructions from the responsible DOD Component. Validated SDRs may direct return, disposal, repackaging with reimbursement of actual repackaging costs, or other action, as deemed appropriate by the item manager. The customer may request alternative action by the item manager if the SDR reply does not provide an acceptable solution for the customer. The ILCO and source of supply will consider the estimated cost for corrective action prior to determining the most appropriate approach for resolution. When the estimated cost exceeds the value of the shipment, the burden for corrective action must fall on the DOD/USG and must not be delegated to the FMS customer/freight forwarder. This will eliminate the potential for credit reimbursement for repackaging to exceed the value of the original purchase of the materiel. When acceptable to the customer and upon authorization by the DOD Component to perform the necessary repackaging, the Freight Forwarder* must hire a certified commercial packer to unpack, repack, and then certify the SU according to international regulations (International Air Transport Association [IATA]/International Civil Aviation Organization [ICAO] or International Maritime Dangerous Goods). The bill for this service is passed to the FMS purchaser who, in turn, will make a claim against DOD for reimbursement via the SDR process *in accordance with DLM 4000.25, Volume 2, Chapter 17, Supply Discrepancy Reporting*. If the NOA is for HAZMAT, the NOA response will tell the shipping activity whether the cargo will move overseas by air or surface so it can be certified accordingly. DOD policy states that all HAZMAT certifications may be done on continuation pages of BLs. A NOA addressee cannot demand any kind of special form that is not required under DOD regulations. DOD regulations will determine which form will be used for a HAZMAT certification.)"

11. PROPOSED DLMS CHANGE (PDC) 1203 STAFFING RESPONSE/COMMENT RESOLUTION: This DLMS Change was coordinated multiple times to incorporate updates based upon Component responses. The most recent feedback is shown at the top of each row with prior comment history included to provide visibility of concerns and how they were addressed.

	Originator	Response/Comment	Disposition
1.	DSCA	DSCA STR/SPI concurs.	Noted.

	Originator	Response/Comment	Disposition
2.	Army	Concur with Security Assistance comment.	Noted.
3.	Army Security Assistance (USASAC)	Concur with comment: USASAC does not support the use of a third-party packer because this process places the burden for corrective action on customers and their representative. USASAC finds the SDR process supporting this approach to discrepancy resolution to be cumbersome and inefficient for reporting the discrepancy, obtaining disposition instructions, reporting completion of corrective action, and subsequently obtaining reimbursement. However, USASAC recognizes that other Components may find the use of the third-party packer to be acceptable. USASAC recommends further update to DTR guidance to clarify use of the SDR rather than a Transportation Discrepancy Report (TDR) for reporting packaging and documentation discrepancies attributed to the shipping activity. (November 22, 2016 meeting) ------- **Comment History:** Non-concur with updates posted (draft ADC 1203) subsequent to initial review: The issue of reimbursement has not been rectified. Filing a simple SDR for reimbursement is only acceptable if the Security Cooperation Customer is willing to pay their FF to fix the USG errors. Many SC customers do not want to take on that additional financial responsibility. The USG CANNOT direct the FF to do anything. The FF is under contract with the SC customer. How can the USG force a commercial entity to fix the USG error? Shipping hazardous material incorrectly is a violation that can levy civil and criminal penalties (49 CFR, Part 107, SUBPART D-Enforcement) to those introducing the material into the transportation system. The USG needs to find other measures to address and remedy future occurrences; instead of resting the burden on the FF and expecting the SC customer to pay the FF. The excuse of the vendor sending the material incorrectly; seems more of a PWS issue in the statement of work or working off a FOB destination contract that is missing the DOD intervention as to provide and receive the NOA. Please Note: I have seen Packaging Service on SDDC solicitations that have been paid by the TAC utilizing a BOL. I do concur that the DTR needs to be re-written and suggest that DLA take the lead to correct the direction; since this is in direct result of a DLA directed change without IA concurrence to start with.	DLMS Program Office Summary: Based on DLA response and existing procedures under MILSBILLS, the DLMS Program Office cannot accept the Army (PDC staffing) recommendation for use of the TAC as a reimbursement/payment method for repackaging costs. If the Army wishes to pursue this approach further, we recommend coordination with USTRANCOM to modify the DTR to include authorization for wider applicability of the TAC. ILCO comments and draft ADC updates were reviewed during a joint meeting on November 22, 2016. The DLMS Office reiterated the procedures for SDR processing associated with use of a third-party packer are optional and need to be coordinated and found to be acceptable to all parties (item manager, ILCO, customer) prior to use. The customer is allowed to ask for an alternative solution if the item manager proposes use of a third-party packer and this is not acceptable to the customer. Wording to this effect was added to the ADC for both the DLMS manual and recommended update to the DTR. Additionally, the DLMS Program Office agreed to continue discussions with OSD SCI/TP to determine if the DTR should be further updated to remove potentially confusing guidance leading to the submission of TDRs (rather than SDRs) for packaging discrepancies attributed to the shipping activity. Note that USASAC comments and associated responses to comments prior to the November meeting are retained in this table for reference. **DLMS Office response to draft ADC non-concurrence:** The USASAC non-concurrence is noted and as a result the ADC provides additional clarification that the procedures associated with the freight forward reimbursement under the SDR process is not a mandatory approach for resolution of packaging discrepancies. The customer can request and the item manager pursue alternative solutions to the discrepancy (return or pick-up of the

	Originator	Response/Comment	Disposition
		------- Initial response: Like the Navy we have no way of capturing any type of miscellaneous credits/debits. Our system checks against the "discrepant billed value" if the incoming credit does not match existing billed value then a suspension is created, requiring manual intervention. Also Packaging/Repackaging charges can be reimbursed thru Transportation Reimbursement process if required. This also places a potential burden on the FF who may or may not have the expertise or a have a "certified commercial packer" conveniently located to perform these functions. In some cases, as described in the PDC, could extend the length of the SDR processing timeframe (i.e. the example used: "when the materiel is shipped directly to the freight forwarded under a DOD contract, the contracting office may coordinate for the contractor to take corrective action". Would there be a timeframe for this type of coordination, because I could see this dragging out. The USASAC G4 Logistical Programs Division doesn't concur with the subject PDC. BLUF: More though and dialogue needs to be done. The IA(s) and DSCA need to be brought to the table to assist. This PDC is not looking at the full effect of the actions. The DFAS reimbursement process could be used to settle the issues directly with the FF. This should not be done with L009 funds such as (BFMS, BDOD, BIII, RIII, BRRR, etc...) Service be that DLA/DCMA/GSA or some other DOD shipping activity must provide valid funding (TAC or MIPR). The PDC does not correctly identify nor remedy the issue in regards to the Certification of Hazardous cargo. This type of discrepancy is dual hatted. This should be a TDR as well as a SDR. The TDR vehicle should be used to make restitution for the services. DLA is thinking or expecting countries to pay the FF for services; that the USG should have done correctly. The stated process in this PDC leaves the FF in the middle; the FF has to wait or assume that Host Nation will reimburse them for the effort or work. When in fact it is the responsibility of the DOD shipping activates to correctly certify the hazardous cargo, based on the convenience (Ocean or Air) selected by Country and or its FF and indicated on the NOA response. Not doing so, is a failure for the USG. The process of issuing a NOA and shipping only once a response is provided; along with properly certifying the hazardous cargo based on the convenience requested should be enforced and adhered to. No caveats or excuses. Other SITUATIONS and QUESTIONS that need to be address: In the event that the material arrives at the FF and it is determined that the FF will not agree to absorb any additional costs due to the error; how will the USG arrange movement back? If it is agreed that disposal is necessary: Who will be paying for the handling of	materiel (dependent up actual type of discrepancy), item manager may obtain services of a third party, vendor may be directed to correct packaging for DVD). This was always the intent. The rules are provided to allow the transactions to contain additional information (estimated vs. actual cost) and step-by-step guidance for use only when the customer/ILCO wants use the process whereby the freight forward corrects the packaging (themselves or through a third party) for subsequent reimbursement via SDR process. The Army is not required to use these procedures. The Army suggestion that DLA take the lead to correct the DTR is noted, but the DLMS Program Office has no way to direct such an action, and the DLA team has already responded that they do not concur with the use of the TAC for direct payment of repackaging costs. If the Army would like to pursue an update to the DTR for this particular aspect and revisions are approved, we can re-visit the DLMS SDR process rules to identify this as another alternative. **DLMS Program Office initial response to Army comments/non-concurrence:** The appropriate method for the item manager to provide credit for repackaging is to generate the credit bill using the DLMS 810L Logistics Bill (Legacy DIC FN2 Accessorial and Other Miscellaneous Billing (Credit)). Lack of capability to provide appropriate credit is considered a DLMS compliance gap. The DLMS Program Office recommends the Army take steps to upgrade functionality within Army systems during modernization. The intent of this DLMS Change is to provide a means of communication supported by automated processing/audit history upon identification of the discrepancy (with an outline for the sequence of steps involved) to ensure that the customer is properly reimbursed for corrective action taken by the customer (or directed by the customer to the freight forwarder). No specific resolution methodology is required (return/ repackage), so the circumstances and

	Originator	Response/Comment	Disposition
		NOW Hazardous Waste? This is now outside the scope of the shipper and the FF. There should be a TAC provided by the Shipper that can be used to pay for any services; since it was the shipper that created the error. There needs to be a record of the requested convenience (i.e. NOA response). If for some reason the Country or its FF changes the conveyance after the cargo has been shipped; is a much different situation and the USG would not be responsible for any of the cost for the re-certification of the hazardous cargo.	freight forwarded capabilities must be taken into consideration during resolution. **Feedback from AFSAC on Army comments:** I was looking at (Navy FMS) and (Army FMS) responses on the reimbursement of the repackaging costs, and discussed it with one of our SDR policy folks here. She said that the SDR document number/case/line cannot be reimbursed for costs in excess of the billed value (e.g. materiel damaged at freight forwarder--DLA providing credit for materiel plus credit for repacking costs to return to DLA because freight forwarder cannot dispose). She said while it will work now, when we get to case closure ... they are going to have out of balances on the case because the requisition will have a credit greater than the billed value. Then someone working financial/case closures is likely to request DLA rebill the difference and we will have an even bigger mess on our hands. Question to Navy FMS POC ... You mentioned that we should use transportation reimbursement process to pay this ... But if we pay this through the transportation reimbursement process (as an actual versus a percent of SDR value), then doesn't that mean that FMS admin funds are paying for all the repackaging costs caused by DLA error? We have had several dozens of these in the past few months. Thoughts? **Navy FMS Response:** Ellen Hilert explained that the reimbursement costs would come from the material billed value, this won't cause the case to be out of whack when it comes to for closure. Yes, you are correct in that if we use the transportation reimbursement to credit I was merely stating that something similar to the SDR transportation reimbursement policy should be considered but as mentioned above this is a moot point if DLA is going to credit against the line billed. Air Force FMS Feedback: Here is the issue ... we are seeing situations where DLA wants the freight forwarder to return the HAZMAT materiel that was damaged

	Originator	Response/Comment	Disposition
			during packaging. DLA issues credit for the materiel value PLUS the cost to repackage prior to returning. It is over the original billed value on the requisition. And we have even had the situation where the repackaged for onward shipment and the cost exceeded the billed value. **DLA feedback on suggested use of a TAC for reimbursement of repackaging costs:** **DLA Comptroller Representative:** From a Finance and audit perspective, there are few, if any, internal controls when allowing a freight forwarder (or anyone) use of a TAC. I have reviewed a couple of recent transactions that meet the scenario below and would not recommend the use. For example, the vendor shipped the material to the freight forwarder and the material needed to be repackaged. DLA had already paid the vendor $27 for the material, $78 in freight charges, and then credited the customer $240 for the repackaging costs. **DLA SDR Representative:** Using the MILSBILLS transaction would be preferable than having the FF send an invoice direct to DFAS and being reimbursed via a TAC code. However, as mentioned, the use of legacy DIC FN2/GN2 would have to be programmed in EBS and the component systems. I do however, like the requirement for the FF to provide an invoice with the actual packaging cost data. **DLA Transportation Representative:** The Transportation Account Code (TAC) was developed to support the movement of cargo/material through the Defense Transportation System (DTS) and to pay for the "Transportation" cost. In accordance with the Defense Transportation Regulation (DTR), Part II, Appendix V, Par B.4.a., & e. which states: The goals of the TAC program are to ensure that: a. The valid TACs, individually linked to a current funding authorization or LOA, are provided for each transportation shipment or mode moving within the DTS; e. Funds allocation and control procedures established under the TAC program facilitate implementation of new or long

	Originator	Response/Comment	Disposition
			range financial processes or procedures for "transportation services". Until there is a constructive change to this regulation and those of the individual services, any perceived work around in my opinion violates the intent of the TAC process/program.
4.	Marine Corps	Concur	Noted.
5.	GSA	The National Customer Service Center (NCSC) within GSA has reviewed PDC 1203. Although GSA is not mentioned in PDC 1203 we should note that if this were to apply to GSA we do not have the IT staffing or funding to make such changes to our Vision system. Also, that we would have the same billing issues as others have noted. There is currently no policy established within GSA that deals with this process. It would be interesting to know an estimate of the volume and dollar value involved.	Recommend GSA submit a system change request to obtain the necessary functionality to provide credit for repackaging/ certification and provide an estimated implementation date. The GSA NCSC may choose alternative disposition instructions (e.g., contractor replacement/pick-up of improperly packaged materiel); however, alternatives may result in a more costly solution to the reported discrepancy.
6.	Air Force	Concur	Noted.
7.	Air Force Security Assistance (AFSAC)	Concur with updates posted (draft ADC 1203) subsequent to initial review. ------- **Comment History:** Initial response: Concur with one comment: Request that the revision to Paragraph C17.3.2.8 be clarified or parentheses added to provide clarification to the following sentence: "Repackaging prior to receipt of disposition instructions from the action activity is only authorized by exception based upon dollar threshold for DLA Distribution Center or when operationally ...." I have reread this and the front part of the existing paragraph several times and am still not clear what is meant by dollar threshold for DLA Distribution Center ... does this mean if cost to repackage is <$100 or value of asset is less than $2500, item does not meet criteria for reimbursement; thus, customer may go ahead and repackage, but are then encouraged to submit an "info only" to notify DLA of discrepancy with cost to repackage attached. Upon receipt of the SDR, DLA is not required to reimburse below $ value, but may do so at their discretion. IF this is the correct interpretation, recommend something be added as to how DLA should respond to these info only SDRs. DLA should be required to respond to the SDR	Noted. Clarification provided. The reference to the dollar threshold was for discrepancies reported by the DLA Distribution Center (the distribution center is pre-authorized to correct packaging discrepancies by the owning Component based upon specified dollar thresholds). ADC incorporates additional business rules for the responsible source of supply to consider the estimated cost for corrective action prior to determining the most appropriate approach for resolution. When the estimated cost exceeds the value of the shipment, the burden for corrective action must fall on the source of supply and must not be delegated to the FMS customer/ freight forwarder and third-party packer. This will reduce the potential for credit reimbursement for packaging to exceed the value of the original purchase of the materiel.

	Originator	Response/Comment	Disposition
		with what corrective action has been taken to ensure packaging issues for future shipments has been addressed. Otherwise, the customer will continue to get improperly packaged materiel and have to pay to fix it at their own expense. This is an issue we currently have across the board with information only SDRs--DLA respond with standard 144 reply (Recorded for information only; no action taken)--then customer reorders and has same issue with shipment on new order. Some system changes will be required to SDR-A to populate the new fields, and to pass the new fields to WebSDR. We will begin documentation of the change requirements now. Discussed with supply and financial personnel about the issue of credit exceeding materiel value that Army/Navy can't currently process, and while Air Force can process them right now ... they will likely get reversed during case closure as they will be causing out of balances.	
8.	Navy	Initial Response: Navy ERP billing does not support Accessorial and Other Miscellaneous Billings. We bill for material only. Current ERP design does not create outbound FN2 assessorial charge transactions to be interfaced to the customer.	Understood that the original bill to the customer is for materiel at standard price (so it is a comprehensive price), but if credit for repackaging alone is needed, the item manager would provide only the credit bill for the repackaging cost using the DLMS 810L Logistics Bill (Legacy DIC FN2 Accessorial and Other Miscellaneous Billing (Credit)). Lack of capability to provide appropriate credit is considered a DLMS compliance gap. The DLMS Office recommends Navy take corrective action to upgrade functionality within Navy ERP. Pending such an upgrade, this ADC authorizes alternative procedures.
9.	Navy Security Assistance	Concur with updates posted (draft ADC 1203) subsequent to initial review. ------- **Comment History:** Initial Response: Normally for FMS any repackaging efforts are done by the FMS customer Freight Forwarded (FF) and the costs (bill) is paid by the customer to the FF. I liken this to the DSCA SDR transportation reimbursement situation where we are reimbursing the customer for money that did not come out of the FMS case.	Yes, agree that the FF will bill the customer, but the FMS customer will be reimbursed using an SDR when the packaging problem was due to the shipper's error. The bill from the FF to the customer will be used to provide supporting documentation of the actual cost for repackaging.
10.	DLA	Concur with updates posted (draft ADC 1203) subsequent to initial review. ------- **Comment History:** Initial response: DLA concurs with comment:	Noted. [Responses inserted below each question/comment.]

	Originator	Response/Comment	Disposition
		1. RE: "The SDR should normally be submitted for disposition prior to performing repackaging regardless of the dollar value; however if there is an exception due to circumstances (such as leakage) requiring immediate attention, this must be reflected in the SDR remarks and supporting documentation." **Question:** If this is the case, should we only receive an actual cost of repackaging charges? **Response:** Yes. When reimbursement is requested after corrective action has occurred, the SDR should contain the actual cost. **2.** Current system limitation do not allow a credit memo to be created that would indicate the DIC of FN2/GN2. When memo is created, systemically we create the FA2. Currently discussing options with J6 Sustainment for a work around. **Response:** Understood. Program updates can be planned in response to this ADC. Additional clarification has been added to the ADC specifying use of the DLMS enhancement capability in the DLMS 810L to indicate credit is associated with packaging Lack of capability to provide appropriate credit is considered a DLMS compliance gap. Pending system upgrade, this ADC authorizes alternative procedures. **3.** RE: "Procedures for providing estimated and actual values (identified within remarks text), inclusive of original SDR followed by interim reply and SDR correction for Security Assistance frustrated shipments, will be effective upon approval based upon of this change." **Question:** Please confirm that this is an 11 REPLY and not an interim response. EBS current logic does not allow for interim reply codes to work on Type 6, 7, W, & V SDR's. **Response:** DLA will use an interim Reply Code 104 on a SDR reply (Transaction Set Purpose Code 11) to provide disposition and direct return of supporting documentation for actual cost. Reply Code 104 is an existing code for use with customers and is considered an interim reply. **4.** RE: "Estimated/Actual Cost Flag. This is a one position indicator used in conjunction with a dollar amount to distinguish between estimated and actual values." **Question:** Should it be required for the submitting customer to submit the actual estimate or actual invoice? PDC talks about providing the dollar figures, but haven't seen the requirement for AR to provide the proof of work. **Response:** ADC has been updated to be more specific. We are asking FMS customers to provide fully documented repackaging costs including the invoice as attachments to the SDR. For U.S. Forces the invoice is	

	Originator	Response/Comment	Disposition
		not mandatory if the discrepant packaging is validated by the shipper, however we are asking for supporting documentation when available. All others require supporting documentation.	
		5. RE: **"**Component SDR systems must be upgraded to transmit or recognize (as applicable) the data content specified in this change: repackaging cost, estimated/actual cost flag…**"** **Question:** If data is not filled in, should SDRs be rejected using a rejection code or the 129/104 code? **Response:** If the data is not provided (using any combination of data fields, remarks, or attachments), DLMS Office recommendation is to use the interim Reply Code 104 to request additional information rather than reject the SDR.	
		6. RE: **"**Where encoded information on the SDR is not sufficient, the submitter should provide photographs (when available) and detailed descriptions of how the materiel was packaged, as well as the actual damages incurred to the materiel (when applicable).**"** **Question:** For the business process area to make a fair decision on repackaging cost, should photographs be required to prove the discrepancy. This will also help in remedial training, and preventive corrective action in the future to avoid these situations. **Response:** Reworded to say: "the submitter is ***strongly encouraged*** to provide photographs and detailed descriptions…" We have also highlighted the importance of system upgrades for attachment processing. It would be premature to make this mandatory (for all users) because many of the Component systems do not yet have attachment interfaces with WebSDR and submission would require swivel chair for input. We will consider this for a future enhancement.	
		7. DLA would like to have a new reply code created for credit authorization that deals with repackaging cost. Instead of using the current 101 credit authorization, the code should be specific to credit for reimbursement due to repackaging cost. The code for repackaging came about from the recent FMS SDR's issues where materiel is frustrated at a freight forwarder. The additional code would eliminate any rejections of reimbursement for the FMS country. For EBS, our end users see the 101 credit we automatically know that it is for the material. We are afraid that if we use the same code for repackaging, it could lead to rejections of SDRs and cause numerous reconsiderations and contested request if a second credit is needed for the actual materiel in the event it has a discrepancy upon receipt at final destination.	

	Originator	Response/Comment	Disposition
		Response: Concur. Reply Code 109 will be established for repackaging reimbursement.	
11	USTRANSCOM	After review and coordination, USTRANSCOM votes approved on the subject PDC.	Noted.

Enclosure 1, Defense Logistics Manual (DLM) Chapter Revisions

Changes are identified by ***bold red italics*** and strike-though text. Intervening text between updated paragraphs is not shown. Paragraph numbering will be updated upon insertion of new paragraphs.

A. Revise DLM 4000.25, DLMS, Volume 2, Chapter 17, Supply Discrepancy Reporting, as shown.

C17.3.2.8. <u>Packaging Discrepancies</u>

C17.3.2.8.1. <u>Improper Packaging</u>. Report any unsatisfactory condition resulting from improper packaging that causes the item, shipment, or package to be vulnerable to any loss, delay, or damage according to the specific conditions cited. Unless otherwise indicated, the minimum dollar value reporting criteria is when the estimated/actual cost of correction exceeds $100; or the value of the item, shipment, or package is $2500 or over, regardless of the estimated or actual cost to correct the packaging discrepancy. This may include loss or damage to the item, shipment, or package except when a report is otherwise required by <u>DTR 4500.9-R</u>, Defense Transportation Regulation, Part II, Cargo Movement. Where encoded information on the SDR is not sufficient, the submitter ~~should~~ ***is strongly encouraged to*** provide ***photographs*** and detailed descriptions of how the materiel was packaged, as well as the actual damages incurred to the materiel ***(when applicable)***. ***When requesting disposition instructions, t***he submitter should also include~~, when available,~~ the estimated ***or actual*** cost of correction of packaging on the initial SDR. ***Repackaging costs may include total costs to complete packing, packaging, preservation, palletization and/or marking (materiel and labor) as appropriate for the situation. The submitter must include the actual cost of corrective action when using the SDR to document repackaging cost on an SDR provided for reimbursement after corrective action has occurred. Repackaging prior to receipt of disposition instructions from the action activity is only authorized by exception. DLA Distribution Centers are pre-authorized to correct packaging discrepancies by the owning Component based upon a coordinated stock readiness agreement specifying the applicable dollar threshold. Customer receiving activities may need to take immediate corrective action when operationally necessary (clarify reason in SDR remarks and provide supporting documentation). If the estimate provided on the initial SDR submission differs from the actual cost, the submitter should provide a correction to their SDR submission to alert the item manager for a corrected reimbursement amount. If there is a substantial difference between the estimated and actual repackaging cost, the item manager will review documentation to ensure the claim is valid and may request clarification for the difference. The source of supply will provide credit to customers in accordance with MILSBILLS procedures in DLM 4000.25, Volume 4, Finance.***

[Intervening text not shown]

C17.3.3.5. <u>Packaging, Documentation, and Other Discrepancies</u>. Prepare the SDR to report the discrepancy using Action Code ~~1H~~ ***3B*** (~~information only~~ ***discrepancy reported for corrective action and trend analysis***) where the receiving activity is able to process the receipt, ~~and~~ there is no impact to the shipping activity inventory records***, and no disposition/resolution is required from the item manager***. Include repackaging costs when applicable. ***U.S. Forces***

should include supporting documentation for repackaging when available. All others are required to provide documentation for repackaging costs,(i.e., an invoice). Follow standard SDR distribution rules. ~~The shipping activity will receive the action copy; the ICP will receive an information copy~~. The storage activity receiving the SDR will review the SDR for corrective action for future shipments and record the SDR trend analysis. No response is required for Action Code ~~1H~~ *3B* SDRs.

[Intervening text not shown]

        C17.3.20.2.1. SDR transactions must contain valid values as appropriate to the transaction purpose: discrepancy code, action code, and reply code. Reject with Disposition/Status Code (Reply) Code 915, 916, or 927. ***When populated, the materiel location on Security Assistance SDRs must contain a valid code (Reply Code 919).***

C17.5. <u>SECURITY ASSISTANCE DISCREPANCY REPORTS</u>

[Intervening text not shown]

    C17.5.6. <u>Frustrated Shipments Located at the Freight Forwarder.</u>[1] The Security Assistance customer will report packaging and documentation discrepancies causing materiel to be frustrated at the freight forwarder location. Shipments frustrated at the freight forwarder's location due to packaging or documentation discrepancies attributed to the shipper may be submitted regardless of dollar value. Validated SDRs may direct return, disposal, repackaging with reimbursement of actual repackaging costs, or other action, as deemed appropriate by the item manager. Note that repackaging by the freight forwarder or a third party contracted by the freight forwarder is an optional approach to resolve the packaging discrepancy. The customer may request alternative action by the item manager if the SDR reply does not provide an acceptable solution for the customer. An estimated cost for repackaging may be requested prior to authorizing repackaging except for shipments below the FMS dollar threshold as the cost of obtaining an estimate may exceed the value of the shipment. In addition to the customer's requested action, the ILCO and owner/manager will consider the estimated cost for corrective action prior to determining the most appropriate approach for resolution. When the estimated cost exceeds the value of the shipment, the burden for corrective action must fall on the owner/manager and must not be delegated to the FMS customer/freight forwarder. This will eliminate the potential for credit reimbursement for repackaging to exceed the value of the original purchase of the materiel. When applicable, transactional exchange to support reimbursement for repackaging costs will follow normal procedures with additional steps as follows:

        C17.5.6.1. Submitter creation of the SDR requesting disposition instructions. Use Action Code 2A and include estimated repackaging cost when available. If the materiel requires immediate repackaging (e.g., due to leakage) or if materiel cannot be returned to shipper in current condition without incurring repackaging costs, include this information in the SDR remarks and provide supporting evidence. The submitter must not employ a third party to provide a repackaging estimate if the shipment is valued below $200.

---

[1] Refer to ADC 1203.

C17.5.6.2. Shipping activity transmission of an interim reply, when applicable, to validate the discrepancy and recommend credit using Reply Code 525. The shipping activity will forward the SDR to the item manager. This SDR reply will include the applicable 300-series forwarding reply code and a copy will be provided to the submitter.

C17.5.6.3. Item manager transmission of a final reply indicating planned resolution. The item manager may provide an interim reply either requesting a repackaging estimate if not already provided or authorizing repackaging by the freight forwarded (inclusive of a third party engaged by the freight forwarder to perform repacking and certification), when this action is acceptable to the customer. Authorization for repacking by the freight forwarder with subsequent reimbursement by the Government is only authorized once the owner/manager and the ILCO have determined this to be the most appropriate and cost effective resolution and reimbursement will not exceed the value of the purchase. This interim reply will include SDR Reply Code 131 and reply codes indicating additional information is required (Reply Code 104) and that no credit will be provided without evidence of actual repackaging cost (Reply Code 129).

C17.5.6.4. Submitter creation of an SDR correction to the owner manager upon completion of the repackaging including the actual repackaging cost and supporting documentation (e.g. invoice for repackaging). Other data content may be perpetuated from the original submission.

C17.5.6.5. Item manager review of documentation to validate repackaging costs and transmission of final reply authorizing credit using Reply Code 109. If there is a substantial difference between the estimated and actual repackaging cost, the item manager will consider further review to validate the claim and may request clarification for the difference. The item manager will provide credit in accordance with MILSBILLS procedures in DLM 4000.25, Volume 4, Finance.

B. Revise DLM 4000.25, DLMS, Volume 4, Chapter 2, Billing Procedures, as shown.

C2.6. <u>BILLING FOR ACCESSORIAL AND ADMINISTRATIVE COSTS</u>

[Intervening text not shown]

C2.6.1.4. <u>Packing, Crating, Handling, and Transportation (PCH&T)</u>

C2.6.1.4.1. Reimbursements for PCH&T costs for (a) IMM/ICP directed lateral redistributions, (b) IMM/ICP authorized MRP and sales returns, and (c) IMM/ICP directed procurement offset returns associated with In-Storage Visibility (ISV) will be a percent of the materiel credit price. The rate will be 3.5 percent for consumable items and 1 percent for reparable items. Billing offices will use the Accessorial and Other Miscellaneous Billings record format to support these billings and reimbursements.

C2.6.1.4.2. Reimbursements for transportation costs for (a) IMM/ICP directed lateral redistributions, (b) IMM/ICP authorized MRP and sales returns, and (c) IMM/ICP

directed procurement offset returns associated with ISV will be for an amount equal to the IMM/ICP's cost recovery rate for second destination transportation included in the selling price of the materiel and will be supported by a Billing for Transportation record format.

                C2.6.1.4.3. ***Billing offices will use the Accessorial and Other Miscellaneous Billings to support reimbursements for authorized repackaging based upon a validated Supply Discrepancy Report under Volume 2, Chapter 17.[1]***

                C2.6.1.4.4. Billing offices will use the Accessorial and Other Miscellaneous Billings or other appropriate record to support billings and reimbursements for other authorized PCH&T, administrative, or accessorial charges.

                C2.6.1.4.5. Reimbursement for PCH&T will not be provided for materiel returns to DLA industrial sites under BRAC SS&D/IMSP, or NIMS sites. Refer to C2.2.2.4.

----

[1] Refer to ADC 1203

Enclosure 2, 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 100-series codes provide status of financial resolution, materiel disposition instructions, or other appropriate information:

[Intervening text not shown]

101   Credit authorized by ~~SoS~~ *source of supply/item* manager.
102   Credit not authorized; see remarks.
109   Credit authorized by source of supply/item manager for repackaging costs.[2]

[Intervening text not shown]

131   Remark/repackage materiel ~~and place in stock~~.

[Intervening text not shown]

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

103   Discrepancy report receipt acknowledgment.
104   Additional ~~clarification~~ *information* required from submitter; see remarks.

[Intervening text not shown]

The 900-series codes are intended for system/application use in processing transactions. When SDRs are processed manually, these codes may be user assigned as appropriate:

919   Transaction rejected. Invalid Security Assistance materiel location code.[2]

---

[2] Refer to ADC 1203.
[2] Ibid.

Enclosure 3, DLMS Implementation Conventions (ICs)

Revise the DLMS 842A/W and 842A/R ICs for administrative updates as follows:

#	Location	Change Table for 842A/W Standard SDR, Follow-up, Correction, Cancellation, & Reconsideration Request	Reason
1.	DLMS Introductory Note	Add ADC 1203 to list of DLMS changes in the DLMS IC introductory note: *- ADC 1203, SDR Procedures for Packaging Discrepancies at FMS Freight Forwarder or Component Retail/Tactical Level Activities including Estimated/Actual Repackaging Cost*	To identify DLMS changes included in the DLMS.
2.	2/REF01/2600	Revise DLMS note for existing Qualifier M1. **M1 Material Storage Location** **DLMS Note:** *Use on SA SDR to identify the storage location where the discrepant materiel is being held. This information **is** needed to calculate a transportation reimbursement to the customer, if applicable and provide adequate disposition instructions for the return of materiel.* **Material Storage Location is not applicable for non-receipts. Cite one of the listed codes in the REF02. Refer to ADC 1203.** **USG for U.S. Government Facility** **ICD for In-Country Depot** **FFD for Freight Forwarder** **CON for Contractor Facility**	Updated to include code values.
3.	2/AMT01/2730	Revise DLMS note for existing Qualifier RPC. **RPC Repackaging Cost** **DLMS Note***:* *1. Use to include the dollar value for corrective action. Include materiel and labor needed to complete a packing, packaging, preservation, palletization and/or marking project. Cost may be estimated* **when submitting the SDR for disposition instructions. Cost must be actual when submitting the SDR for reimbursement of corrective action already taken.** **2. Use with Estimated/Actual Cost Flag (AMT03) and specify in SDR remarks if repackaging cost is estimated or actual pending DoD-wide implementation of ADC 1203.** See ADC 282A***.*** **3.** *For RPC: WebSDR field length =* ~~*12*~~ *7*	Updated to include additional guidance. Field length revised to match length identified for the reply transaction (for consistency).

#	Location	Change Table for 842A/W Standard SDR, Follow-up, Correction, Cancellation, & Reconsideration Request	Reason
4.	2/AMT03/2730	Open AMT03 and add new Qualifiers A and E with associated DLMS notes. **Credit/Debit Flag Code** *DLMS Note:* *Use to identify the Estimated/Actual Cost Flag when requesting credit for repackaging cost. Must use only with Code RPC (Repackaging Cost). Refer to ADC 1203.* **A Actual** **DLMS Note***:* *1. Use to indicate that the dollar amount provided represents the actual cost.* *2. Local code A is established for use in 842A/W Version 4030. A data maintenance action will be submitted to establish this code in a future version of the X12 standard.* **E Estimated** **DLMS Note***:* *1. Use to indicate that the dollar amount provided represents an estimated cost.* *2. Local code E is established for use in 842A/W Version 4030. A data maintenance action will be submitted to establish this code in a future version of the X12 standard.*	Establishes methodology to distinguish estimated versus actual cost. Components systems must retain visibility of both estimated and actual costs as separate data field to retain an audit history.

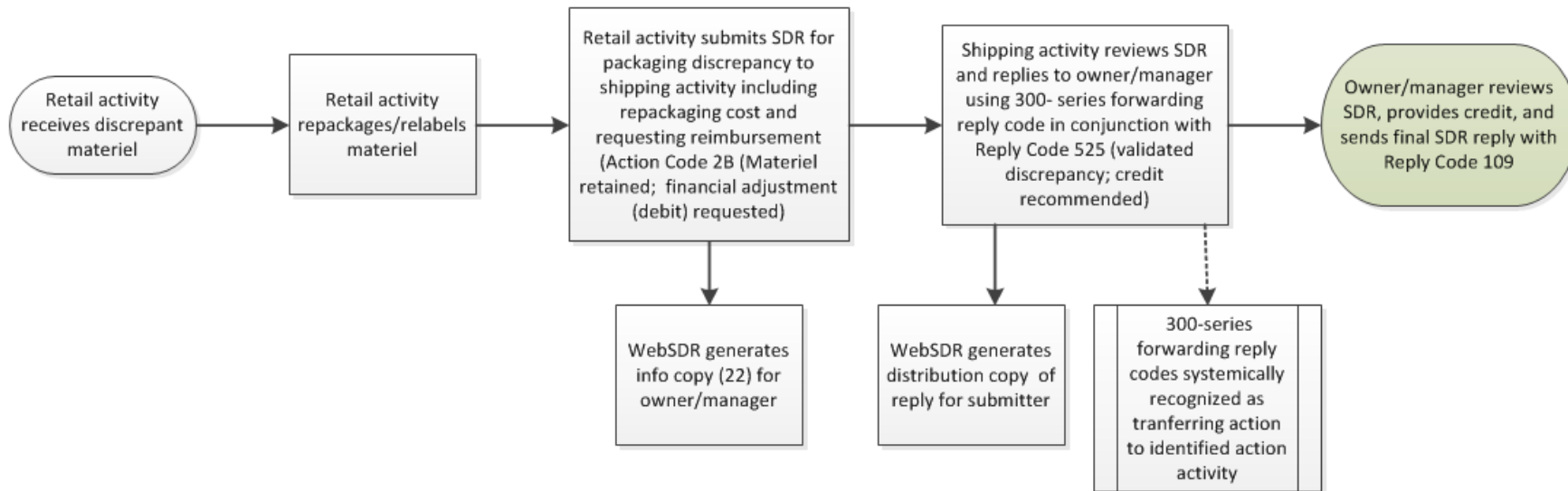| #	Location	Change Table for 842A/R Standard SDR Reply	Reason
1.	DLMS Introductory Note	Add ADC 1203 to DLMS Introductory note: *- **ADC 1203, SDR Procedures for Packaging Discrepancies at FMS Freight Forwarder or Component Retail/Tactical Level Activities including Estimated/Actual Repackaging Cost***	To identify DLMS changes included in the DLMS.
2.	2/AMT01/2730	Revise DLMS note for existing Qualifier RPC. **RPC Repackaging Cost** **DLMS Note***:* *1. Use to indicate the ~~estimated~~ dollar value for corrective action. Include materiel and labor needed to complete a packing, packaging, preservation, palletization and/or marking project.* ***2. Use with Estimated/Actual Cost Flag (AMT03). Refer to ADC 1203.*** ***3. For RPC: WebSDR field length = 7***	Updated to include additional guidance.
3.	2/AMT03/2730	Open AMT03 and add new Qualifiers A and E with associated DLMS notes. **Credit/Debit Flag Code** ***DLMS Note:*** ***1. Use to identify the Estimated/Actual Cost Flag indicating the submitter's request for credit was based upon estimated or actual repackaging cost. Use only with Code RPC (Repackaging Cost).*** ***2. May be used in interim and final SDR reply (e.g., interim reply may be based upon an estimate, while the final reply may be based upon actual cost). Refer to PDC 1203.*** ***A Actual*** **DLMS Note***:* ***1. Use to indicate that the dollar amount provided represents the actual cost.*** ***2. Local code A is established for use in 842A/W Version 4030. A data maintenance action will be submitted for establishment of this code in a future version of the X12 standard.*** ***E Estimated*** ***DLMS Note:*** ***1. Use to indicate that the dollar amount provided represents an estimated cost.*** ***2. Local code E is established for use in 842A/W Version 4030. A data maintenance action will be submitted to establish this code in a future version of the X12 standard.***	Establishes methodology to distinguish estimated versus actual cost. Components systems must retain visibility of both estimated and actual costs as separate data field to retain an audit history.

Enclosure 4, Flow Diagrams

Discrepancy identified at Freight Forwarder (FF) (prior to remediation)*

FF receives discrepant materiel

→ Notifies customer to submit SDR for discrepancy

→ FMS purchaser creates SDR for discrepancy requesting disposition with credit (Action Code 2A (disposition of materiel and financial adjustment (credit) requested)) and including location of discrepant materiel

→ ILCO receives SDR and reviews for accuracy/ completeness **

→ ILCO submits SDR to shipping activity via WebSDR

→ Shipping activity reviews SDR and replies to owner/manager using 300- series forwarding reply code in conjunction with Reply Code 525 (validated discrepancy; credit recommended)

WebSDR generates info copy (22) for owner/manager

WebSDR generates distribution copy of reply for submitter

300-series forwarding reply codes systemically recognized as tranferring action to identified action activity

Owner/manager sends interim reply (11) with an appropriate disposition remarks and:
-Reply Code 104 (additional info required)
-Reply Code 129 (reimbursement cannot be provided until submitter provides repackaging cost)
-Reply Code 131 (remark/repackage materiel)

Owner/manager reviews SDR and determines disposition

FMS purchaser directs FF/third party repackaging; sends SDR correction (CO) with repackaging cost and invoice attachment

ILCO reviews and forwards SDR correction to ICP

Owner/manager reviews SDR correction and provides credit; provides final SDR reply with Reply Code 109

Reply Code 104 systemically recognized as interim reply

* Depicts positive flow for distribution center shipment; slight variations would apply for direct vendor shipments and for Army directed shipments.
** Estimated repackaging cost may be provided on initial submission or may be requested by the owner/manager. For low dollar value shipments, the cost for obtaining an estimated repackaging cost from a third party may not be reimbursable if the total reimbursement exceeds the value of the materiel. Prior coordination is needed before obtaining estimate for low dollar value shipments.

Discrepancy identified at Retail Activity (remediation taken prior to SDR)*

Retail activity receives discrepant materiel

→ Retail activity repackages/relabels materiel

→ Retail activity submits SDR for packaging discrepancy to shipping activity including repackaging cost and requesting reimbursement (Action Code 2B (Materiel retained; financial adjustment (debit) requested)

→ Shipping activity reviews SDR and replies to owner/manager using 300- series forwarding reply code in conjunction with Reply Code 525 (validated discrepancy; credit recommended)

→ Owner/manager reviews SDR, provides credit, and sends final SDR reply with Reply Code 109

WebSDR generates info copy (22) for owner/manager

WebSDR generates distribution copy of reply for submitter

300-series forwarding reply codes systemically recognized as tranferring action to identified action activity

* Depicts positive flow for distribution center shipment;
slight variations would apply for direct vendor shipments and for Army-directed shipments