



**DEFENSE LOGISTICS AGENCY
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October 04, 2017

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

SUBJECT: Approved Defense Logistics Management Standards (DLMS) Change (ADC)
1269, Revision to Kind, Count, and Condition (KCC) Inspection Requirements at
DLA Distribution Centers (MILSTRAP/SDR/Supply)

We are forwarding the attached approved change to DLM 4000.25, Defense Logistics Management Standards, and DLM 4000.25-2, Military Standard Transaction and Accountability Procedures (MILSTRAP). This change is effective immediately; DLA Distribution Centers have implemented revised procedures.

Addressees may direct questions to Ms. Mary Jane Johnson, Mr. Rafael Gonzalez, Mr. Ben Breen, or Ms. Ellen Hilert at email: DLMSSupply@dla.mil. All others must contact their Component designated Supply PRC representative or SDR PRC representative available at <http://www.dla.mil/HQ/InformationOperations/DLMS/allpoc/>.

HEIDI M. DAVEREDE
Program Manager
Enterprise Business Standards Office

Attachment
As stated

cc:
ODASD (SCI)
OUSD DPAP (PDI)

ADC 1269
Revision to Kind, Count, and Condition (KCC) Inspection
Requirements at DLA Distribution Centers

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION:

- a. **Office:** Defense Logistics Agency (DLA) Logistics Operations
- b. **Functional POC:** DLA HQ, J-345 IM, Troy Brown, Telephone COMM: 709-767-3979, email: troy.brown@dla.mil

2. FUNCTIONAL AREA: Receiving

- a. **Primary/Secondary Functional Area:** Stock Readiness/Receiving
- b. **Primary/Secondary Functional Process:** Supply Discrepancy Reporting

3. REFERENCES:

- a. [Defense Logistics Manual \(DLM\) 4000.25-2](#), Military Standard Transaction Reporting and Accountability Procedures (MILSTRAP), Chapter 7
- b. [DLM 4000.25](#), Defense Logistics Management Standards (DLMS), Volume 2, Chapter 17
- c. [DoDM 4140.01 Volume 5](#), DoD Supply Chain Materiel Management Procedures: Delivery of Materiel
- d. [DLAI 4145.4/AR 740-3/AFMAN 23-125\(IP\)/NAVSUPINST 4400.100A/MCO 4450.15A](#), Joint Service Instruction Stock Readiness, November 9, 2012

4. APPROVED CHANGE(S):

a. **Brief Overview of Change:** This change revises MILSTRAP (Reference 3.a.) and DLMS Volume 2 (Reference 3.b.) to clarify and document the kind, count, and condition (KCC) inspection process at DLA Distribution Centers. DODM 4140.01 (Reference 3.c) directs Components to conduct an inspection during the receipt process but does not clarify the procedures for the KCC inspection process. MILSTRAP and DLMS procedures define the reporting requirements for discrepant materiel found during receipt, but do not clarify the procedures for conducting the KCC inspection process. The current Stock Readiness policy, DLAI 4145.4 (Reference 3.d.) does have specific instructions regarding the bare item part number verification process under KCC. This change will further clarify KCC of the bare item part number verification process for new procurement receipts under MILSTRAP and DLMS in line with DLAI 4145.4 as conducted at DLA Distribution Centers. Specifically, DLA Distribution Centers will conduct the part number verification for non-critical new procurement items by verifying the part number/NSN in the contract to the Military Standard (MIL-STD) 129

label. DLA Distribution Centers will perform all other aspects of the KCC process. Critical items and non-procurement items will be subject to part number verification to bare item markings.

b. Background:

(1) DODM 4140.01, Volume 5, Enclosure 3, paragraphs 8.d and 8.e. direct receiving activities to establish receipt control procedures to record the status of materiel in the storage process. Receiving activities are also directed to: perform inspections, acceptance, reflect the actual condition of the materiel, reflect the quantity of the materiel received, and report discrepancies.

(2) DLM 4000.25, Volume 2, chapter 17, paragraph C17.3.2.1.2. directs reporting of discrepant shipments from contractors/manufacturers or vendors.

(3) DLM 4000.25-2 MILSTRAP, Chapter 4, paragraph C4.9.1.1. (and comparable guidance under DLMS, Volume 2, C13.2.8.2.1) states “Upon receipt of all incoming materiel shipments, from procurement and non-procurement sources, storage activities will research all available documentation and item markings to determine the receipt data (i.e., document number, NSN, or other item identification number, PMR or due-in data, quantity, condition, inspection/ acceptance requirements, etc.). Using this data, storage activities will determine if a discrepancy/deficiency (hereafter referred to as discrepancy or discrepant) exists and will identify its nature.”

(4) DLAI 4145.4, Stock Readiness, paragraph 7.a. defines two ways to determine “Kind” during the receiving process. “An inspection of the bare item verifying the part-number against the assigned national stock number (NSN), or a verification that the documentation corresponds with the identification label in accordance with MIL-STD-129 marking requirements.” This is further refined under receiving procedures for DLA Distribution Centers in paragraph E.1.a.

(5) DLA Distribution, as part of a Continuous Process Improvement initiative, has identified verifying “kind” during the KCC inspection process for new procurement by matching the documentation with the identification label to verify part number to be a more efficient and low risk process. All other aspects of the KCC inspection process remain unchanged.

(6) Defense Threat Reduction Agency (DTRA) identifies specific nuclear weapons related materiel (NWRM) items and the associated NSNs have a NWRM flag in the Federal Logistics Information System (FLIS). The Distribution Standard System (DSS) will not process these items without supervisor approval and will be subject to a more stringent inspection.

(7) Critical safety items (CSIs) are source inspected and do not require a bare item verification in accordance with (IAW) DLAI 4145.4, et al. However, item managers do place CSI alert messages into DSS that may require bare item verification based on Commercial and Government Entity Code (CAGE) or contract number. DLA Distribution will follow these CSI alert restrictions under standard procedures.

c. Approved Change in Detail: Green highlighting identifies substantive changes subsequent to staffing.

(1) Incorporate the specific KCC inspection process DLA Distribution performs into the appropriate manuals to include DLM 4000.25 and DLM 4000.25-2.

(2) Allow DLA Distribution to utilize verification that the documentation corresponds to the part number listed on the identification label for new procurement receipts for both source-inspected items and destination-inspected items. DLA Distribution Centers will use this method to satisfy the part number verification portion of the KCC inspection process.

(3) DLA Distribution will continue to perform a bare item part number verification for new procurement receipts when the item is identified as:

(a) NWRM with a NWRM flag assigned in the FLIS,

(b) a controlled item identified by controlled item identification code in FLIS (classified, sensitive, pilferable, and radioactive), or

(c) if directed by a systemic alert notification to verify a bare item part number (identified by a receipt restriction screen in DSS based upon the manager's stock screening request).

(4) This change only affects non-critical new procurement receipts at DLA Distribution Centers received for storage at the DLA Distribution Center. This change does not apply to other types of receipts at DLA Distribution Centers such as non-procurement receipts.

(5) This change includes an unrelated administrative update to DLM 4000.25 Chapter 13 to replace the term advance receipt information (ARI) with the more common term pre-positioned materiel receipt (PMR) used in the DLM 4000.25-2 MILSTRAP Manual. This will be a global change in the chapter. The Enterprise Business Standards Office will update ARI to PMR in other affected DLMS chapters as they are revised by other PDCs.

d. Revisions to DLM 4000.25 Manuals:

(1) Revise DLM Volume 2, Chapter 13 to replace all occurrences of "advance receipt information (ARI)" with "*pre-positioned materiel receipt (PMR)*" (and just the acronym as applicable).

(2) Revise DLM Volume 2, Chapter 13 to read:

"C13.2.8.2. Processing Discrepant/Deficient Receipts

C13.2.8.2.1. Discrepancy Determination. Upon receipt of all incoming materiel shipments, from procurement instrument and non-procurement instrument sources, receiving activities will research all available documentation and item markings (i.e., transaction or contract number, national stock number (NSN), or other, item identification number, ~~ARI~~ *PMR* file, quantity, condition, inspection/acceptance requirements, etc.) to determine the receipt data.

Using this data, receiving activities will determine if a discrepancy/deficiency (hereafter referred to as discrepancy or discrepant) exists and will identify its nature. **DLA Distribution will perform a kind, count, and condition (KCC) inspection during receipt to determine materiel condition and completeness and identify any discrepancies that may exist. KCC inspection is applicable to materiel received for storage at the DLA Distribution Center. "Kind" includes an inspection of the bare item verifying the part number against the assigned NSN, or a verification that the documentation corresponds with the identification label in accordance with MIL-STD-129 marking requirements.**

C13.2.8.2.1.1. DLA Distribution Centers do not perform bare item part number verification for new procurement except when the materiel is identified as nuclear weapons related materiel (NWRM) or controlled (classified, sensitive, pilferable, and radioactive) or if directed by a systemic alert notification to verify a bare item part number.

C13.2.8.2.1.2. For all other receipts, DLA Distribution Centers will perform bare item part number verification unless specified under MIL STD 130 that no bare item marking exists."

(3) Revise DLM 4000.25, Volume 2, Chapter 17 to read:

"C17.3.2.1.2. Contractor/Manufacturer or Vendor Shipments. Report discrepant shipments from contractors/manufactures or vendors that meet conditions cited under reporting criteria regardless of dollar value. **DLA Distribution Centers will perform kind, count, and condition (KCC) inspection during receipt to determine if any discrepancies exist in accordance with MILSTRAP (refer to C13.2.8.2. Processing Discrepant/Deficient Receipts).**"

(4) Revise DLM 4000.25-2, Chapter 4 to read:

"C4.9. PROCESSING DISCREPANT/DEFICIENT RECEIPTS

C4.9.1. General

C4.9.1.1. Upon receipt of all incoming materiel shipments, from procurement and nonprocurement sources, storage activities will research all available documentation and item markings to determine the receipt data (i.e., document number, NSN, or other item identification number, PMR or due-in data, quantity, condition, inspection/ acceptance requirements, etc.). Using this data, storage activities will determine if a discrepancy/deficiency (hereafter referred to as discrepancy or discrepant) exists and will identify its nature."

(Intervening text not shown)

Insert new paragraph C4.9.1.1.4, and renumber current paragraph C4.9.1.1.4. as C4.9.1.1.5.

C4.9.1.1.4. Perform a Kind, Count, Condition (KCC) inspection during receipt to determine materiel condition and completeness and identify any discrepancies that may exist. KCC inspection is applicable to materiel received for storage at the DLA Distribution Center. "Kind" includes an inspection of the bare item verifying the part number

against the assigned NSN, or a verification that the documentation corresponds with the identification label in accordance with MIL-STD-129 marking requirements.

C4.9.1.1.4.1. DLA Distribution Centers do not perform bare item part number verification for new procurement except when the materiel is identified as nuclear weapons related materiel (NWRM) or controlled (classified, sensitive, pilferable, and radioactive) or if directed by a systemic alert notification to verify a bare item part number.

C4.9.1.1.4.2. For all other receipts, DLA Distribution Centers will perform bare item part number verification unless specified under MIL STD 130 that no bare item marking exists.”

e. **Transaction Flow**: No change.

f. **Alternatives**: None identified.

5. REASON FOR CHANGE: To clarify receipt KCC inspection criteria and incorporate the criteria into DLM 4000.25 and DLM 4000.25-2. Both manuals allude to performing a KCC receipt inspection with reporting criteria for discrepant receipts, but the guidance does not specify use of a KCC process. Incorporating this language specifies a KCC inspection and clarifies the methods of determining part number verification during the “kind” inspection.

6. ADVANTAGES AND DISADVANTAGES:

a. **Advantages**: Clarifies the KCC inspection process especially the methods of determining part number verification.

b. **Disadvantages**: None identified.

7. ADDITIONAL FUNCTIONAL REQUIREMENTS: DLA has identified the process change for KCC to be low risk; however, there is a potential for discrepancies to escape detection allowing materiel to be accepted, stored, and ultimately shipped to customers. Customers may report such discrepancies to the shipper and/or the source of supply (via Document Type 7 SDR). If the distribution center can attribute the customer-identified discrepancy to a specific contract, the distribution center must explain the source of the discrepancy and provide the contract number in SDR reply remarks forwarded to the source of supply for action (via 300-series forwarding reply). The source of supply retains responsibility for corrective action supporting the customer to include reimbursement or replacement materiel when appropriate. Additionally, the source of supply will coordinate with the Defense Contract Management Agency (DCMA) and/or the contractor to ensure contract compliance and any necessary reimbursement to the source of supply.

Staffing Note: DLA must coordinate with EBSO to document (as a separate DLMS change) the appropriate procedures and data requirements when the above situation occurs.

8. ESTIMATED TIME LINE/IMPLEMENTATION TARGET: Immediately.

9. ESTIMATED SAVINGS/COST AVOIDANCE ASSOCIATED WITH IMPLEMENTATION OF THIS CHANGE: This creates efficiencies for DLA Distribution

storage sites when inducting new procurement receipts. The expected gain is an 8 percent reduction of receipt times for destination inspected new procurement receipts.

10. IMPACT:

- a. **New DLMS Data Elements**: None.
- b. **Changes to DLMS Data Elements**: None.
- c. **Automated Information Systems (AIS)**: None.
- d. **Defense Automatic Addressing System**: None.
- e. **Non-DLM 4000.25 Series Publications**: DOD Components may need to update internal guidance to comply with this DLMS change.

11. PROPOSED DLMS CHANGE (PDC) 1269 STAFFING RESPONSE/COMMENT RESOLUTION:

	Originator	Response/Comment	Disposition
1.	Army	Concur	Noted.
2.	Navy	Concur	Noted.
3.	Air Force	Concur	Noted.
4.	Marine Corps	Concur	Noted.
5.	DLA DLA Distribution	Concur The PDC includes specific exceptions requiring bare item inspection, but fails to mention an exception due to receipt restrictions built from stock screening requests for new procurement. EBSO requested clarification for DVD shipments of requisitioned materiel. DLA responded that DLA Distribution does not perform KCC on direct turnover (DTO) to customers (e.g. requisitioned materiel), but will perform KCC inspection on DVD shipments of requisitioned materiel stored in the DLA Distribution Center.	Noted. DLA concurs. Exception added for clarification. ADC updated to indicate that KCC inspection applies to materiel stored in the DLA Distribution Center.
6.	DSCA	Concur with comment: NAVSUP (Navy FMS) stated: We will need to "wait and see" if the new procedures cause an increase in quality or wrong item issues. In the meantime, we have no basis to say that there will be an increase in problems without further user monitoring.	Noted.

	Originator	Response/Comment	Disposition
		We will concur with reservations.	
7.	USTRANSCOM	Abstain	Noted.