DEFENSE LOGISTICS AGENCY
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April 23, 2018

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

SUBJECT: Approved Defense Logistics Management Standards (DLMS) Change (ADC)
1273, Supply Discrepancy Report (SDR) Disposition Instructions Authorizing
Receipt Reversal for Receipts and Associated SDRs Submitted to the Wrong
Owner and Use of Reason for Reversal Code on Receipt Transaction
(SDR/MILSTRAP/Supply)

We are forwarding the attached approved change to DLM 4000.25, Defense Logistics
Management Standards, and DLM 4000.25-2, Military Standard Transaction Reporting and
Accountability Procedures (MILSTRAP), for implementation.

Addressees may direct questions to Mr. Rafael Gonzalez and Mr. Ben Breen, at email:
DLMSSDR@dla.mil or DLMSSupply@dla.mil. All others must contact their Component
designated Supply PRC representative available at
www.dla.mil/HQ/InformationOperations/DLMS/DLMSPrograms/supply/, or SDR PRC
representative available at www.dla.mil/HQ/InformationOperations/DLMS/DLMSPrograms/sdr.

HEIDI M. DAVEREDE
Program Manager
Enterprise Business Standards Office

Attachment
As stated

cc:
ODASD (SCI)

Attachment to ADC 1273
Use of SDR Disposition Instructions Authorizing Receipt Reversal for Receipts and Associated SDRs Submitted to the Wrong Owner and Use of Reason for Reversal Code on Receipt Transaction

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION: Ben Breen, DOD SDR Alternate, EBSO/DLMS Program Office, email: benjamin.breen@dla.mil

2. FUNCTIONAL AREA:

    a. Primary Functional Area: Receiving, SDR

    b. Secondary Functional Process: Inventory Accountability

3. REFERENCES:

    a. Approved DLMS Change (ADC) 1221, Mandatory SDR for DLA Distribution Center Receipts with no Prepositioned Materiel Receipt (PMR), July 29, 2016

    b. Defense Logistics Manual (DLM) 4000.25, Defense Logistics Management Standards (DLMS), Volume 2, Chapter 13, Materiel Receipt, and Chapter 17, Supply Discrepancy Reporting

    c. DLM 4000.25-2, Military Standard Transaction Reporting and Accountability Procedures (MILSTRAP), Chapter 4, Receipt and Due-in, and Chapter 9, Rejection, Routing, and Reversal of Transactions

    d. ADC 1102, Army-Directed DLA Distribution Center Shipments, Procedures for Discrepant or Unauthorized Returns to the Distribution Centers, and Administrative Updates, June 5, 2014

    e. Approved Addendum to ADC 1102A, Procedures for Unauthorized/Discrepant Air Force Returns to DLA Distribution Centers, April 13, 2015

    f. ADC 1160, Procedures for Recommending and Authorizing Credit for Validated SDRs, Associated Reply Code Revisions, and Required use of the Reason for Reversal Code in Issue Reversals, January 19, 2016

4. APPROVED CHANGE(S): <mark>Green highlighting</mark> identifies substantive changes subsequent to staffing.

a. **Brief Overview of Change:** This change updates DLA Distribution and Component procedures to authorize use of the SDR process to request a receipt reversal in response to a receipt and associated SDR submitted to the wrong owner. This process only applies to SDRs identifying that no matching prepositioned materiel receipt (PMR) was available for the shipment and, as a result, the receiving activity inadvertently receipted the materiel to the wrong owner account in the DLA Distribution Standard System (DSS). The SDR reply will provide an audit trail for the resolution of the discrepant receipt using receipt reversal and reprocessing of the receipt and SDR to the correct owner under DLMS/MILSTRAP and SDR procedures. For those Components with functionality to reject the receipt reported to the wrong owner, the SDR rejection will correlate to the receipt rejection.

b. **Background:**

(1) ADC 1221 (Reference 3.a.) established a requirement for DLA Distribution Centers to send an SDR to the owner/manager when the distribution center processes a receipt without a PMR, for materiel owned by that organization. However, because there is no PMR, the receiving activity must follow a series of steps to determine the materiel owner using other available information such as the shipping document. However, the DLA Distribution multi-step guidance may still result in errors causing the distribution center to direct the receipt and the associated SDR to the wrong activity. Under current DLA Distribution guidance, use of receipt reversals authorized under DLMS Volume 2, Chapter 13 and MILSTRAP Chapter 9 (Reference 3.b. and 3.c.) is restricted to a narrow interpretation for selected types of distribution center errors. DLA Distribution often requires the current owner to issue a materiel release order (MRO) using ship-in-place procedures to change ownership of the materiel when materiel was receipted to the wrong owner. This process is time consuming and manually intensive for the wrong owner since the MRO and new PMR must be triggered outside normal operations.

(2) Because the distribution center normally sends missing PMR SDRs as informational, the recipient may not take any action on the SDR while pursuing corrective action for the inventory. Components need additional guidance to reject SDRs sent to the incorrect owner to ensure metrics for missing PMRs align with the correct Component.

<mark>(3) Components returning discrepant/deficient materiel do not always follow all related procedures, sometimes due to system constraints. Documented procedural requirements include returning the materiel on the original document number or the document number assigned by the item manager directing the return. The item manager must provide a PMR under this document number to ensure proper posting of the receipt to the item manager's account using the correct supply condition code. For Product Quality Deficiency Report (PQDR)-related returns, the PMR must include the PQDR report control number (RCN) to facilitate exhibit tracking. The returning activity must include the hard-copy SDR annotated as "SDR RETURN" on the exterior of the package, or if the materiel is a PQDR exhibit, follow the return instructions given by the investigating activity and mark as "PQDR EXHIBIT" on the outside of the package.</mark>

(4) Compliance with materiel returns procedures, including mandatory use of appropriately prepared PMRs and Service enforcement of the MILSTRIP materiel return program (MRP) to preclude unauthorized returns, will bring a significant reduction in the volume of receipt processing errors. However, there is still a need for more efficient procedures for handling receipts posted to the wrong owner account. Current procedures are inefficient and misrepresent inventory actions. This change provides documented procedures and authorization for the owner to request receipt reversal for an erroneously processed receipt using the SDR process. DLA Distribution coordinated this approach for audit readiness compliance and received concurrence.

(5) MILSTRAP authorizes the recipient to reject receipts reported to the wrong owner, and identify the correct owner when known, using the DLMS 824R (legacy Document Identifier Code (DIC) DZG) with Reject Advice Code AB.

(6) A primary target for use of the receipt reversal under this change will be PQDR exhibit receipts posted to the wrong owner due to a missing PMR matching the return document number. The receiving activity generates an SDR transaction for PQDR exhibit receipts citing SDR Discrepancy Code Q11. When there is no matching PMR, the SDR will also include Discrepancy Code Z3. The receiving error is often the result of the customer returning the exhibit to the DLA Distribution Center under a customer-assigned document number (rather than the document number assigned for the return by the item manager). Using the returning activity assigned document number causes the distribution center to be unable to locate the PMR (when provided) and process the receipt to the same Service as the returning activity regardless of intent.

(7) DLA Distribution Centers report consumable item returns (receipts and associated SDRs) as unauthorized returns when there is no PMR and incomplete or missing documentation make it impossible to verify the intended owner. Under ADC 1102/1102A (Reference 3.d. and 3.e.), these are reported to the item manager except when a predesignated Service owner has been established. Use of a pre-designated Service owner reduces the volume of unauthorized consumable item returns receipted to DLA.

c. <u>Approved Change in Detail</u>: Revise DLMS guidance to update procedures for handling SDRs for receipts erroneously posted to the wrong owner for which receipt rejection is not an available course of action. New procedures for SDR rejection with a receipt reversal request apply only in response to an SDR indicating a missing/unmatched PMR (Discrepancy Code Z3) (regardless of other discrepancy codes cited). These procedures do not authorize the Service to circumvent existing procedures by using receipt rejection/reversal for unauthorized consumable item returns that are receipted to the predesignated Service owner under ADC 1102/1102A.

(1) The SDR recipient (wrong owner) will reject the SDR using the following two reply codes. A new reply code will be established to clearly direct the desired distribution center action and facilitate tracking/metrics. (SDR reply code additions and revisions are shown in red bold italics.)

612   Reverse associated receipt and reprocess to correct owner as identified.

901   Transaction rejected. Discrepancy report submitted to wrong ~~source of supply~~ *activity*. Resubmit to the correct action activity *(identified in remarks when known). When applicable, use with Reply Code 612 or receipt rejection transaction (DLMS 824R/MILSTRAP DZG) to reverse/reject the original receipt for reprocessing.*

      (2) When known, the wrong owner will identify the correct owner in the SDR reply remarks to support reprocessing of the receipt and SDR. It may require coordination with the shipping activity or other relevant parties to confirm intent. If the wrong owner fails to provide correct owner identification, the distribution center will follow standard DLA Distribution guidance for receipt processing to reprocess the rejected/reversed original receipt. ADC 1102/1102A also provides procedures that DLA Distribution Centers may use when reporting receipts for unauthorized returns of consumable items.

      (3) DLA Distribution guidance and DLA Distribution Standard System (DSS) will recognize the Reply Code 612 on the rejected SDR to trigger action for receipt reversal and creation of a new receipt and SDR (Document Type 8 under new distribution center-assigned control number) to the correct owner.   No further action on the original SDR is required since the originally designated owner rejected this SDR.

Staffing Note: DLA Distribution will review this requirement for (1) potential programmatic logic that could be introduced in DSS to support the requested receipt reversal and new SDR creation, and (2) ensure that no further DSS action is needed to close the rejected SDR without an additional outgoing transaction on the original control number.

      (4) Revise DLMS/MILSTRAP guidance to support receipt reversal when the missing PMR SDR reply documents erroneous processing of the receipt.

      (5) Establish a new reason for reversal code to tie the reversal for a receipt transaction sent to the wrong owner, to the SDR requested action. Expand the use of existing Reason for Reversal Code T (Other) for use on the receipt transaction. (Reason for reversal code additions and revisions are shown in red bold italics.)

CODE	NAME/DEFINITION	APPLICABLE TRANSACTION	EXPLANATION
R	*Reversal of receipt – wrong owner*	*527R Receipt/ D4_/D6_*	*Reversal of receipt erroneously reported to wrong owner due to missing/unmatched pre-positioned materiel receipt (PMR). [May be associated supply discrepancy report (SDR) reply disposition requesting reversal and reprocessing of receipt to the correct owner.][1]*
T	Reversal of ~~issue~~ transaction - other	*527R Receipt/ D4_/D6_* 867I *Issue*/D7_	Reversal of transaction for a reason not otherwise identified, inclusive of incorrectly entered data, (e.g., transposed characters). *[2]*

[1] Refer to ADC 1273.
[2] Refer to ADC 1160 *and ADC 1273.*

        (6) WebSDR will segregate rejected SDRs in the WebSDR-generated management report for missing PMR so the rejected SDRs are not grouped with valid SDRs. Rejected SDRs include SDRs with reply codes in the 700, 800, or 900-series (with exception of Reply Code 716 and 936).

Staffing Note about Reply Codes:

1. A future DLMS change will remove authorization to use Reply Code 716 (SDR recorded for information and possible corrective action) in favor of the equivalent code in the correct code series (Reply Code 144). The SDR Administrators agreed to delay removal of Reply Code 716 because this action will require significant system changes to the DLA Enterprise Business System (EBS) to accomplish SDR closure under the correct code.

2. Reply Code 936 does not apply in this situation. It is used to suspend an SDR reply while awaiting an information copy of the original SDR.

     d. Revisions to DLM 4000.25 Manuals:

        (1) Revise DLM 4000.25, Volume 2, Chapter 13, Materiel Receipt, and Chapter 17, Supply Discrepancy Reporting, as shown in Enclosure 2.

        (2) Update DLMS Volume 2 Appendix 7.28, Supply Discrepancy Report Relevant Data Elements, for new and revised discrepancy codes as shown in paragraph 4.c.(1).

        (3) Update DLMS Volume 2 Appendix 7.32, Reason for Reversal Code, for new code value as shown in paragraph 4.c.(5).

        (4) Revise DLM 4000.25-2, MILSTRAP, as shown in Enclosure 3.

     e. Transaction Flow: Standard receipt/receipt reversal and SDR transaction flows apply.

f. Alternatives: None identified.

5. REASON FOR CHANGES:

a. The current process for handling erroneous receipts is time-consuming and inefficient. It misrepresents inventory/issue volume since the materiel transferred to the correct owner using the ship-in-place process never truly belonged to the wrong owner.

b. The current process does not have an audit trail correlating the original receipt with the ship-in-place MRO. Expanded use of the reason for reversal code to support audit history is consistent with use of this data element under ADC 1160 (Reference 3.f.).

6. ADVANTAGES AND DISADVANTAGES:

a. Advantages:

(1) Provides an efficient approach for handling erroneous receipts that DLA Distribution can apply consistently across all DLA Distribution Centers.

(2) Provides a transactional audit trail from original receipt through re-processing to the correct owner using the SDR when receipt rejection using DLMS 824R (legacy Document Identifier Code (DIC) DZG) by the wrong owner is not systemically available.

(3) Supports DLA senior management direction to reduce/improve manual effort through automation.

b. Disadvantages: None identified.

7. ADDITIONAL COMMENTS TO CONSIDER:

a. Use of the SDR to request receipt reversal may be used pending automation of DLMS 824R Reject Advice for receipt rejection.

b. If both the receipt and SDR fail because the recipients materiel master does not recognize the stock number, responding activities can use WebSDR to generate a transactional record of the SDR rejection and request for receipt reversal to maintain visibility and an audit trail.

8. ADDITIONAL FUNCTIONAL REQUIREMENTS: Components must identify system constraints preventing reuse of the original document or the item manager assigned document number for directed discrepant/deficient materiel returns. The item manager establishes a due-in for this materiel and provides a PMR to the receiving distribution center. If the customer does not return materiel on the expected document number to the expected location, accountability for the returned materiel is at risk and a substantial effort may be required to locate and take corrective action. The procedures identified in this change will not apply if the Component establishes a new document number in conjunction with their own PMR retaining ownership of the materiel. The distribution center is not authorized to reverse a receipt that was properly recorded based upon a PMR.

9. ESTIMATED TIME LINE/IMPLEMENTATION TARGET: Joint implementation of updated SDR reply codes and revised procedures will be available for use June 1, 2018. Revisions to the no PMR report to isolate rejected SDRs is targeted for completion by July 2018. The new reason for reversal code is approved for staggered implementation no later than December 2019 for DLMS compliance.

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

11. IMPACT:

    a. New DLMS Data Elements: None identified.

    b. Changes to DLMS Data Elements: SDR reply codes and reason for reversal codes updated as shown above.

    c. Automated Information Systems (AIS):

        (1) Revise SDR applications for revised SDR reply code list.

        (2) Modify DSS to prompt the user (to the degree feasible) to generate a new SDR in response to receipt reversal/reprocessing subsequent to SDR rejection containing Reply Codes 612 and 901.

        (3) Implement reason for reversal codes on DLMS 527R Receipt (1/BR02/020 Transaction Type Code D4) (no impact to legacy DIC D4_/D6_ receipt).

    d. Defense Automatic Addressing System (DAAS):

        (1) Update DAAS maps for reason for reversal code on DLMS 527R (this data element is not applicable to legacy DIC D4_/D6_ receipts).

        (2) Update WebSDR tables for revised SDR reply code list.

        (3) Modify "No PMR" report to segregate rejected SDRs from those that are valid. Accomplish this by creating a separate tab on the current report.

    e. Non-DLM 4000.25 Series Publications: DOD Components may need to update internal operating procedures and other published Receipt/SDR guidance.

12. PROPOSED DLMS CHANGE (PDC) 1273 STAFFING RESPONSE/COMMENT RESOLUTION:

	Originator	Response/Comment	Disposition
1.	Army	Concur	Noted.
2.	Navy	Concur with comments. Concerns:	Noted.

	Originator	Response/Comment	Disposition
		1. PMR is not automatically generated when an SDR is returned under the same doc# under which it was received. Therefore, PMR will never be generated for material directed for return. NAVSUP WSS SDR policy requires that SDR-directed returns are to be shipped under the same doc# under which the material was received. Supply Planners do not assign a new doc# for the return (as indicated in paragraph 5 of PDC 1273). 2. NAVSUP WSS does not want SDRs to be rejected due to lack of PMR. NAVSUP WSS wants a receipt processed under the doc# under which material was received, regardless of whether or not PMR was received.	On April 4th, 2018 a meeting was held between NAVSUP and the Enterprise Business Standards Office to further discuss PDC 1273. The details provided in the conversation from EBSO addressed the Navy's concerns and the Navy is comfortable with moving forward with concurrence.
3.	Air Force	Concur	Noted.
4.	Marine Corps	Concur	Noted.
5.	USTRANSCOM	Abstain	Noted.
6.	DLA	Concur	Noted.

Enclosure 1, DLMS Implementation Convention Revision

#	Location	DLMS 527R Receipt	Reason
1.	DLMS Introductory Notes	<u>Add ADC 1273 to DLMS Introductory Notes:</u> *- ADC 1273, SDR Disposition Instructions Authorizing Receipt Reversal for Receipts and SDRs Submitted to the Wrong Owner and Use of Reason for Reversal Code on Receipt Transaction*	Identifies DLMS Change included in DLMS IC.
2.	2/LQ01/130	<u>Add Code RRC and associated DLMS notes:</u> **RRC Reason for Reversal Code** **DLMS Note:** *1. Use for the Reason for Reversal Code in receipt transactions.* *2. By DLMS enhancement, DLA storage activities must cite the Reason for Reversal Code on receipt reversals associated with an SDR directing reversal of a receipt reported to the wrong owner. Refer to ADC 1273.* *3. Code RRC (Reason for Reversal Code) is a migration code. A code maintenance request was approved in Version 5050.*	New requirement supports full audit trail. Delayed implementation authorized. Components should consider implementing this requirement in association with ADC 1160.

Enclosure 2, Defense Logistics Manual (DLM) 4000.25, Volume 2, Revisions

Revise Chapters 13 and 17 as shown. Changes are identified in *red bold italics*.

A. Chapter 13, Materiel Receipt

"C13.2.2. <u>Reversal of Incorrect Receipt Transactions</u>. Receiving activities may use the Receipt *t*ransaction to reverse incorrect Receipt *T*ransactions. *Include the reason for reversal code as applicable. Refer to Chapter 17 SDR procedures for use of the SDR reply to request receipt reversal by the receiving activity when the wrong owner does not have systemic support to reject a receipt reported to the wrong owner.* [1]

C13.2.3. <u>Rejection of Receipt Reported to Wrong Owner</u>. If a receipt is erroneously reported to the wrong owner (e.g., due to missing or unmatched PMR), the recipient of the receipt transaction should reject the receipt back to the initiator using DLMS 824R Reject Advice with Reject Advice Code AB (Rejected. Submitted to incorrect manager). If known, include the correct manager to facilitate reprocessing of the receipt. Do not reject receipts reported to the owner designated by PMR or to the pre-designated Service owner for unauthorized return of consumable items. [2]"

(Renumber subsequent paragraphs)

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[1] *Refer to ADC 1273.*
[2] *Ibid*.

B. Chapter 17, Supply Discrepancy Reporting

C17.3.4.2. Unauthorized Returns (no PMR/incomplete or missing documentation/no identified owner). [1] *Refer to paragraph C17.3.6. Distribution Center Receipt with no Due In/Prepositioned Materiel Receipt.* Discrepancy reports for distribution center receipts of unauthorized materiel returns *with insufficient information to determine the appropriate owner* will be routed under MILSTRAP for receipt reporting:

(Intervening text not shown)

"C17.3.6. <u>Distribution Center Receipt with no Due In/Prepositioned Materiel Receipt (PMR)</u>. DLA Distribution Centers will report receipt of unscheduled materiel from new procurement and non-procurement sources to the owner/manager, regardless of condition of materiel, as a discrepancy. *When a PMR is not available, the receiving activity will report the receipt using documentation, packaging, and other information, as available. DLA Distribution Centers will prepare an SDR to report the missing/unmatched of a PMR to the owner/manager as the only discrepancy or in combination with other identified discrepancies. The distribution center will identify the SDR as informational or otherwise indicate requested*

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[1] Refer to ADC 110*2*/1102A.

action. If the distribution center erroneously reported the receipt to the wrong owner due to missing/unmatched PMR, the wrong owner will use the SDR reply process to reject the SDR (using Reply Codes 901). If the wrong owner is unable to reject the receipt transaction systemically, the wrong owner will also request that the distribution center reverse the receipt (using Reply Codes 612). If known, the wrong owner should identify the correct owner in the receipt rejection or SDR reply to facilitate reprocessing of the receipt. These procedures do not authorize rejection/reversal of receipts reported to the owner designated by PMR or the pre-designated Service owner for unauthorized return of consumable items.[2]

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[2] Refer to ADC 1273.

Enclosure 3, DLM 4000.25-2 MILSTRAP

Revise Chapters 4 and 9 as shown. Changes are identified in *red bold italics*.

A. Chapter 4. Receipt and Due-In

"*C4.4. Receiving Activity Actions. [1] Receiving activities will:*

C4.4.1. Post receipts to the total item property record by changing or adding to data in the PMR file or by extracting data from the consignment documentation.

C4.4.2. For discrepant shipments, follow specific guidelines provided in this chapter.

C4.5. Reversal of Incorrect Receipt Transactions. [2] Receiving activities may use the Receipt transaction to reverse incorrect Receipt transactions. Refer to DLM 4000.25, Vol 2, Chapter 17, SDR procedures for use of the SDR reply to request receipt reversal by the receiving activity when the wrong owner does not have systemic support to reject a receipt reported to the wrong owner.

C4.6. Rejection of Receipt Reported to Wrong Owner. [3] If a receipt is erroneously reported to the wrong owner (e.g., due to missing or unmatched PMR), the recipient of the receipt transaction should reject the receipt back to the initiator using DIC DZG Transaction Reject with Reject Advice Code AB (Rejected. Submitted to incorrect manager). If known, include the correct manager to facilitate reprocessing of the receipt. Do not reject receipts reported to the owner designated by PMR or to the pre-designated Service owner for unauthorized return of consumable items."

(Renumber subsequent paragraphs)

B. Chapter 9. Rejection, Routing and Reversal of Transactions

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

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

C9.4.2. *See Chapter 4 for specific procedures for reversal of receipt transactions.*

C9.4.*3*. See Chapter 7 for specific procedures and controls required when reversing Inventory Adjustment (Physical Inventory) transactions, DIC D8A/D9A."