



**DEFENSE LOGISTICS AGENCY
HEADQUARTERS
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May 03, 2019

MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE (PRC) MEMBERS

**SUBJECT: Approved Defense Logistics Management Standards (DLMS) Change (ADC) 1323
Receipt Reversal Use and Expansion of Reason for Reversal Codes in Support of
DLA Disposition Services (Supply)**

The attached change to DLM 4000.25, Defense Logistics Management Standards, is approved for implementation. The Enterprise Business Standards Office (EBSO) will post the updated DLMS Implementation Conventions (IC) to the Web at https://www.dla.mil/HQ/InformationOperations/DLMS/elibrary/Transformats/140_997/ within **10** days from the above date

We are forwarding the attached approved change to DLM 4000.25, Defense Logistics Management Standards for implementation.

Addressees may direct questions to Ms. Tonja Daniels-Carter, Supply Team, email: EBSO.Supply@dla.mil. Others must contact their designated Supply PRC representative available at <https://www.dla.mil/HQ/InformationOperations/DLMS/allpoc/>.

HEIDI M. DAVEREDE
Director
Enterprise Business Standards Office

Attachment

cc:
ODASD(Logistics)

Attachment to ADC 1323

Receipt Reversal Use and Expansion of Reason for Reversal Codes in Support of DLA Disposition Services

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION:

a. **Technical POC:** Tonja Daniels-Carter, Enterprise Business Standards Office (EBSO), Tonja.Daniels-Carter@dla.mil, 269-961-5227

b. **Functional POC:** Christopher Floyd, DLA Disposition Services, Christopher.Floyd@dla.mil 269-961-7055

2. FUNCTIONAL AREA LOGISTICS AND TRANSACTION CHANGES:

a. **Primary/Secondary Functional Area:** Receiving DLA Disposition Services

b. **Primary/Secondary Functional Process:** Supply/Inventory

c. **Logistics and Transaction Changes (Check All That Apply):**

<input checked="" type="checkbox"/>	Category	<input checked="" type="checkbox"/>	Category	<input checked="" type="checkbox"/>	Category
x	Billing	x	Physical Inventory		Contract Admin
x	Discrepancies / Deficiencies	x	MILSTRAP		DoDAAD
	Serialization	x	MILSTRIP		MAPAD
	Small Arms/Light Weapons		MRA		LMARS
	pRFID	x	Disposition	x	DLM Publications
	GFP		DOD BRAC		

3. REFERENCES:

a. [Defense Logistics Manual \(DLM\) 4000.25](#), Defense Logistics Management Standards (DLMS), Volume 2, Chapter 7 Inventory Adjustments; Chapter 13, Materiel Receipt; Chapter 16, Disposition Services; and Chapter 17, Supply Discrepancy Reporting

b. [Defense Logistics Manual DLM 4000.25](#), Volume 2 Appendix 7.32 Reason for Reversal Codes

c. [Defense Logistics Manual DLM 4000.25](#), Volume 2 Appendix 7.28 Supply Discrepancy Report Relevant Data Elements

d. [Defense Logistics Manual DLM 4000.25](#), Volume 2, Chapter 7, Table C7.T1

e. [Approved DLMS Change \(ADC\) 459](#), DLMS Transactions, Discrepancy Codes, SDR Type/Disposition Services Type Codes and Associated Procedures to support SDRs under RBI.

4. APPROVED CHANGE(S)

a. **Brief Overview of Change:** This change updates DLA Disposition Services and Component procedures to authorize use of the receipt reversals process in response to an incorrect receipt or in support of a supply discrepancy report (SDR) after receipt (Reference 3.c.). The authorized reason for reversal codes are identified in DLM 4000.25 Volume 2, Appendix 7.32 (Reference 3.d.). The reason for reversal codes will also provide an audit trail for the resolution of discrepant receipts when using reversal codes. DLA Disposition Services will follow standard SDR processes when the receipt reversal occurs after induction and STOW, also known as “SDR After Receipt”.

b. This change will authorize DLA Disposition Services to follow standard inventory adjustments and all adjustment reason codes identified in DLM 4000.25 Volume 2, C7.T1. (Reference 3.b.). At the time of this change, DLA Disposition Services is restricted to use of the DLMS 947I (legacy DIC D8A and D9A) Physical Inventory Adjustment transaction (gain or loss disclosed as a result of physical count of stock, single adjustment).

c. **Background:**

(1) DLA Disposition Services is requesting authorization to conduct receipt reversals allowing standardized processes to align with DLMS procedures and interoperability across multiple domains. At the present time, DLA Disposition Services is using the DLMS 947I (legacy DIC D9A) to correct receiving issues, which results in an inventory loss. The current process is posting erroneous losses due to systemic limitations presenting an auditability concern. Implementation of reason for reversal codes in receipt reversals will mitigate this incorrect use of physical inventory adjustments.

(2) DLA Disposition Services ownership for all field offices and inventory is identified as Routing Identifier Code (RIC) S9D. During the receipt process, there are circumstances where an item passes the receiving identification inspection, or kind, count, and condition (KCC), however; the item is later identified as an unauthorized item. The identification of unauthorized materiel may occur even after the materiel is in location. The current method DLA Disposition Services is using to remove inventory off record due to unauthorized receipt or from an SDR after receipt is accomplished by submitting a loss via DLMS 947I (legacy DIC D9A) transaction. In support of this change, DLA Disposition Services and field offices will implement a new reason for reversal code to identify receipt reversals due to an incorrect receipt or in support of a supply discrepancy report (SDR) after receipt during the receipt reversal process. Additionally, creating Reason for Reversal Code D, to identify SDRs after receipt, will allow Disposition Services to remove the disposal turn-in document number (DTID) from their accountable records without creating unnecessary inventory losses.

(3) This change documents procedures and authorizes DLA Disposition Services to use receipt reversal due to an erroneously processed receipt, using the appropriate

reason for reversal codes, and will allow DLA Disposition Services to follow standard quantity or status adjustment reason codes for all legacy DICs supporting the DLMS 947I transactions. DLA Disposition coordinated this approach to comply with auditability standards and to follow existing procedures and processes.

d. Approved Change in Detail: [

(1) Authorize DLA Disposition Services Field Offices to use DLMS 947I/ Legacy DIC's D8B, D9B, D8C, D9C, DAC, D8D, D9D, DAD, D8E, D9E, D8F, D9F, D9G, D9H, D8J, D9J, D8K, D9K, D8S, D9S, DAS, D8Z, D9Z, D8A and D9A Inventory Adjustment transactions to record gain and losses as necessary. This change authorizes use of adjustment reason codes identified in DLM 4000.25 Volume 2, Table C7.T1, allowing standardized processing and provide Disposition Services the capability of posting transactions correctly. The systemic restrictions of using legacy D8A/D9A Inventory Adjustments currently precludes DLA Disposition Services from posting correct adjustments and adjustment reason codes.

(2) Implement the receipt reversal process for DLA Disposition Services Field Offices to remove unauthorized materiel via DLMS 527R Receipt with Reason for Reversal Codes T and D. The receipt reversal transactions will allow Disposition Services Field Offices to remove the DTID from the record for the entire quantity input during the receipt process without affecting their accountable records. In the event of erroneous input or correction during the receipt process, DLA Disposition Services will follow standard DLMS 947I Inventory Adjustments with appropriate status adjustment reason codes on the DLMS 947I or Legacy DICs.

(3) Prior to DLA Disposition Services Accountable Property Systems of Record (APSR) triggering the DLMS 527R Receipt Reversal with Reason for Reversal Code D, Disposition Services will be required to transmit an SDR via DLMS 842A/W transaction to the generating customer using Discrepancy Report Document Type Code D, Disposition Services SDR Type Code T (DLA Disposition Services receipts from generating turn-in), SDR Requested Action Code 3C (Receiving activity not authorized to accept property (pick-up by original owner required) (Disposition Services use only). For DLA Disposition Services, the SDR type code is also referred to as the Disposition Services Sub-Type Code.

(4) Once the originating generator picks the non-accepted property, DLA Disposition Services will update the original SDR (Disposition Services SDR Sub Type Code T) (DLA Disposition Services receipts from generating turn-in), with SDR Requested Action Code 3B (Discrepancy reported for corrective action and trend analysis. No reply required). DLA Disposition Services Field Site will also annotate in the remarks section of the SDR the date the materiel was picked up by the generator. Using the SDR Requested Action Code 3B will close out the original SDR created with Action Code 3C. Failure of DLA Disposition Services to send the SDR Action Codes in this order will result in SDRs that remain open, adversely impacting metrics and possibly resulting in an audit gap.

(5) After the SDR process, DLA Disposition Services will then trigger the DLMS 527R Receipt using Reason for Reversal Code D (SDR after receipt). This will allow the discrepant materiel to remain in location and on record at the Disposition Services Field Site

until the discrepant materiel has been picked up by the originating generating customer and the SDR is closed out. The receipt reversal should be the last step to this process.

(6) Revise DLMS 4000.25 Volume 2, Chapter 16 procedures, update DLMS Volume 2, Appendix 7.32, and update Inventory Adjustments in support of DLA Disposition Services Field Offices. Establish a new Reason for Reversal Code D for SDR After Receipt and update procedures to allow DLA Disposition Services to utilize the receipt reversal process and reason for reversal codes. (Reason for reversal code addition and revisions are shown below in red bold italics.)

e. Revisions to DLM 4000.25 Manuals:

(1) Add Code D to DLMS Volume 2, Appendix 7.32 as shown:

AP7.32 APPENDIX 7.32, REASON FOR REVERSAL CODE

CODE	NAME/DEFINITION	APPLICABLE TRANSACTION	EXPLANATION
<i>D</i>	<i>Reversal of Receipt – SDR After Receipt</i>	<i>527R Receipt/ D4_/D6_</i>	<i>Reversal of receipt reported due to supply discrepancy report (SDR) after receipt</i>

(2) Revise DLMS Volume 2, Chapter 16, (C16.7.4.2.4) to identify Inventory Adjustments other than the DLMS 947I, Type Transaction Code NU and Status Adjustment Reason Code BR and BS.

(3) Revise DLMS Volume 2, Chapter 16, (C16.7.7.4) to identify DLA Disposition Services using Receipt Reversals.

(4) Update DLM 4000.25, Volume 2, Chapter 16, (C16.8.1.) Outgoing SDR.

f. Approved Transaction Flow:

(1) The DLMS 947I will flow from Disposition Services DSS to DAAS, which will be routed to EBS.

(2) The DLMS 527R Receipt Reversal will be evoked from the SDR after receipt process in DSS. Standard receipt/receipt reversal and SDR transaction flows apply.

g. Alternatives: There are no alternatives for this change.

5. REASON FOR CHANGE:

a. The current process of handling inventory adjustments for DLA Disposition Services does not capture accurate and standard adjustment reason codes required to support their business, misrepresenting reasons for the inventory action and does not provide the full capabilities identified under Adjustment Reason Codes in DLMS Volume 2, Table C7.T1.

b. Currently, DLA Disposition Services and their APSR is not processing receipt reversals, resulting in erroneous losses due to limitations of system capabilities. The use of the receipt reversal and reason for reversal codes by DLA Disposition Services and Field Offices will serve as supporting documentation and evidential matter to further justify the reversal. This process will also provide succinct metrics for ADRs after receipts.

6. ADVANTAGES AND DISADVANTAGES:

a. Advantages:

(1) Provides an efficient approach for supporting adjustment reason codes that DLA Disposition Services can apply consistently across all sites.

(2) Provides accurate transactional data in supporting more concise reporting and metrics for DLA Disposition Services Senior Management, DLA Disposition Services and Disposition Services Field Offices.

(3) Provides an audit trail for receipt reversals in correlation to SDR processes opposed to the DLMS 947I (Legacy D9_).

b. Disadvantages: None identified.

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

a. Use of DLMS 947I inventory adjustments with appropriate Status Adjustment Reason Codes on the DLMS 947I identified in DLMS Volume 2, Table C7.T1.

<http://www.dla.mil/Portals/104/Documents/DLMS/Manuals/DLM/V2/0107-v2c7.docx>

b. Use of receipt reversal and new reason for reversal codes to support DLA Disposition Services identified in DLMS Volume 2, Appendix 7.32.

<http://www.dla.mil/Portals/104/Documents/DLMS/Manuals/DLM/V2/0207.00-v2a7.docx>

8. ADDITIONAL COMMENTS TO CONSIDER:

a. Implementing this change allows DLA Disposition Services to use DLMS 947I and Status Adjustment Codes identified in DLMS Volume 2, Table C7.T1. This will support audit concerns and provide accurate metrics within the logistical pipeline and reporting data.

b. Implementation of this change supports DLA Disposition Services and DLA Disposition Services Field Offices to accurately utilize receipt reversal transactions and reason for reversal codes identified in DLMS Volume 2 Appendix 7.32 Reason for Reversal Code.

9. ADDITIONAL FUNCTIONAL REQUIREMENTS: None Identified

10. ESTIMATED TIME LINE/IMPLEMENTATION TARGET: Upon approval of ADC 1323, DLA Disposition Services DSS and EBS will start working this change. Approximate implementation date is April 2020.

11. ESTIMATED SAVINGS/COST AVOIDANCE ASSOCIATED WITH IMPLEMENTATION OF THIS CHANGE: This ADC is required to meet audit requirements: CAP P2S_Q_2962 titled "Inappropriate Physical Inventory Adjustments in DSS". Calculation is comprised of 540 mandatory adjustments for FY17 with 467 of them being inappropriate adjustments. $467/540 = 86.5\%$ of DLA Disposition Services inventory adjustments result due to system limitations for inventory adjustments. The cost savings results in an average of 18 hours per package at a rate of \$49.37 per hour $-49.37 * 18 * 467 = \$415,004.22$ in savings.

12. IMPACT:

a. **New DLMS Data Elements:** Reason for Reversal Code D will be created to support receipt reversal from an SDR Process. This will be added to the DLMS 527R, RRC qualifier.

b. **Changes to DLMS Data Elements:** None Identified.

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

(1) Implement reason for reversal codes on the DLMS 527R Receipt (1BR02/020 Transaction Type Code D4).

(2) Modify DSS to allow all Status Adjustment Reason Codes for the DLMS 947I transaction, Legacy D8_/D9_.

(3) Modify EBS to accept all Status Adjustment Reason Codes for the DLMS 947I transactions, Legacy D8_/D9_.

(4) Modify DSS and EBS to support receipt reversals for Disposition Services.

d. **Defense Automatic Addressing System (DAAS):** Update DAAS maps for Reason for Reversal Code D on the DLMS 527R.

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

(1) DOD Components may need to update internal Standard Operating Procedures (SOP) and other published inventory and receipt guidance.

(2) DoDM 4160.21, Volume 1, Section 12.b titled "Errors After Acceptance" will require updating to add 4000.25, Volume 2, Chapter 16, C16.7.4.1.2.4. as referenced.

13. Proposed DLMS Change (PDC) 1323 Staffing Response/Comment Resolution

	Originator	Response/Comment	Disposition
1.	Army	No Response Provided	Noted.
2.	Air Force	Concur without Comment	Noted.
3.	Marine Corps	Concur without Comment	Noted.
4.	DLA	<p>Concur with Comment:</p> <p>I see a reference to RIC S9D on page 3. I'm under the impression the RIC is a legacy element. From the perspective of the "new" EWM warehousing module, we may benefit from a reference to the DoDAAC in lieu of the RIC or simply avoiding the owner RIC in the documentation. I do see in 4.d.1. that there is an authorization for DLA Disposition Services to now begin to use multiple types of DLMS 947I legacy DICs, which is fine except DSS will not comply with most of them. Hopefully this would be hashed out in the requirements if at some point in the future Disposition Services wished to generate these types of inventory adjustments to the owner of the materiel. DSS will happily perform the following types of DLMS 947I with adequate requirements for each scenario: D8A/D9A: Gain or loss caused by physical count of stock (Reason AA)D8B/D9B: Gain or loss caused by accounting error not subject to correction by reversing original transaction (Reason AB)D8C/D9C: Gain or loss caused by condition transfer (Reason AC)D8D/D9D: Gain or loss caused by purpose change (Reason AD)D8E/D9E: Gain or loss caused by logistical transfer of ownership (Reason AK)D8F/D9F: Gain or loss caused by capitalization (Reason AL)D8J/D9J: Gain or loss from a re-identification caused by initial misidentification (Reason AE)D8K/D9K: Gain or loss from a catalog change – Unit of issue (Reason AN) or stock number (Reason AF)D8S/D9S: Gain or loss resulting from an ownership transfer (users of conventional ammunition system) (Reason AG)D8Z/D9Z: Gain or loss resulting for 'other' (Reason AH)</p> <p>Red values are not something I believe that the business owner needs, we do not have a way to do today, and we would need very adequate justification on each of these process's expectations. I do not want Disp Services personnel and business owners to believe that the presence of these values in the ADC verbiage means that they now have the ability to perform all of these without adequate requirements being provided to the J6 development group for that logic to be built into the system even for each of the values that are not red. I believe this needs to be addressed before the ADC is published. Overall, I do agree that the extra reason for reversal code is beneficial for the business in its transactional communications for this subject until the point where the movement to standard processes is realistic for the Disp Services EBS group. I do foresee issues when we move this into EWM, as the new system will want a mixture of one or more standard elements within SAP to represent this new code in the receipt transactions. Hopefully with EBSO and Disposition Services, we can glean from one or more standard codes how to do this same TYPE of communication to map the new receipt values to EBS IDoc in DAAS.</p> <p>EBSO Response:</p> <p>At the present time, transactions are using the RIC. Upon rollout of EWM, if there are additional changes that will be submitted using the DoDAAC in lieu of the RIC these concerns will be addressed. The PDC for inventory adjustments is in support of DLA Disposition Services RFC submitted in ECRD DOF-C18-0001 New Inventory Adjustment Transactions. The POC is Christopher Floyd.</p>	Noted.
5.	NAVSUP	Concur without Comment	Noted.
6.	USTRANSCOM	Concur without Comment	Noted.
7.	DAAS	Concur without Comment	Noted.

Enclosure 1, Defense Logistics Manual (DLM) Revisions

Changes are identified by ***bold red italics*** and double strike-through text.

Revise DLM 4000.25, Defense Logistics Management Standards, Volume 2, Chapter 16, as shown. Update paragraph numbering as necessary.

[Preceding text not shown]

C16.7.4.2.4. Adjustment Reason Codes and DLMS 947I Inventory Adjustment use for DLA Disposition Services. Inventory adjustments take place via DLMS 947I transaction which encompasses increases, decreases, or dual adjustments. This relates to MILSTRAP legacy DICs D8_ (increase), D9_ (decrease), or dual adjustment represented as DAC/DAD/DAS respectively. Inventory adjustments are further broken down by the DLMS 947I detail segment (2/W1901/0200) Quantity or Status Adjustment Reason Code. The quantity or status adjustment reason codes correlate to the 3rd position of the MILSTRAP legacy DICs D8_/D9_ or DAC/DAS as identified in Table C7.T1 in DLM 4000.25, Volume 2, Chapter 7. DLA Disposition Services will follow the Status Adjustment Reason codes and explanation identified under C7.T1, which have corresponding Legacy DICs associated for clarity until sunset of the legacy accountable property system of record.

[Intervening text not shown]

C16.7.7.4 Reversal of Incorrect Receipt Transactions for DLA Disposition Services. Receiving activities may use the DLMS 527R Receipt transaction (Legacy DIC D4_/D6_) to reverse incorrect receipt transactions. The Receipt reversal transaction will use reason for reversal codes identified in DLM 4000.25 Volume 2, Appendix 7.32, Reason for Reversal Code. For receipt reversals using Reason for Reversal Code D to identify SDR After Receipt, DLA Disposition Services Field Sites will first trigger the SDR using SDR Action Code 3C, followed by e SDR with Action Code of 3B. This will allow the discrepant materiel to remain in location and on record at the Disposition Services Field Office until the discrepant materiel has been picked up by the originating generating customer. The receipt reversal transaction will be the last step to the process. See C16.8.1 and C16.8.1.2 for additional information.

[Preceding text not shown]

C16.8.1. Outgoing SDR. During the receiving process, if the DLA Disposition Services Field Office identifies a supply discrepancy, an SDR will be generated from the field office system ***using DLMS 842A/W transaction to the generating customer using Discrepancy Report*** Document Type Code D in conjunction with the appropriate SDR Disposition Services ***sub*** type code to distinguish the source of discrepant shipment (generating activity turn-In = T, DLA Distribution Center = B, and Redistribution between field offices = E, SDR Requested Action Type 3C. ***Once the originating generator picks the non-accepted property, DLA Disposition Services will update the original SDR (Disposition Services SDR Sub Type Code T) with SDR Requested Action Code 3B. DLA Disposition Services Field Site will also annotate in the remarks section of the SDR the date the materiel was picked up by the generator. Using the SDR Requested Action Code 3B will close out the original SDR created***

with SDR Requested Action Code 3C. Failure of DLA Disposition Services to send the SDR Action Codes in this order will result in SDRs that remain open, adversely impacting metrics and possibly resulting in an audit

(Intervening text not shown)

C16.8.1.2. Action Codes. The DLA Disposition Services Field Office will indicate the applicable action taken or requested on the SDR. When the generator turns in property that cannot be accepted by the field office, the field office will prepare an SDR using SDR Requested Action Code 3C, indicating *Receiving activity not authorized to accept property (pick-up by original owner required) (Disposition Services use only)*. ~~pick-up of unauthorized or unacceptable property is required.~~ *Once the originator picks the non-accepted property, DLA Disposition Services will update the original (Disposition Services SDR Sub Type Code T) (DLA Disposition Services receipts from generating turn-in), with SDR Requested Action Code 3B (Discrepancy reported for corrective action and trend analysis. No reply required). DLA Disposition Services Field Office will also annotate in the remarks section of the SDR the date the materiel was picked up by the originator. Using the SDR Requested Action Code of 3B will close out the original SDR created with Action Code 3C.*

Enclosure 2, Update to Defense Logistics Management Standards Data Elements

#	Location	DLMS 527R Receipt	Reason
1.	DLMS Introductory Notes	<p><u>Add ADC 1323 to DLMS Introductory Notes:</u></p> <p><i>- ADC 1323, Receipt Reversal Use and Expansion of Reason for Reversal Codes in Support of DLA Disposition Services</i></p>	Identifies DLMS Change included in DLMS IC.
2.	2/LQ01/130	<p><u>Add new DLMS Note 4 to existing qualifier RRC:</u></p> <p>RRC Receipt Reversal Code DLMS Note:</p> <p>1. Use for the Reason for Reversal Code in receipt transactions.</p> <p>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 <i>and</i> ADC 1323.</p> <p>3. Code RRC (Reason for Reversal Code) is a migration code. A code maintenance request was approved in Version 5050.</p> <p><i>4. Use in support of DLA Disposition Services to identify an SDR after receipt for receipt reversals. The values identified in Appendix 7.32 for the reason for reversal of the receipt will be conveyed in 2/LQ02/130.</i></p>	New requirement supports full audit trail in support of DLA Disposition Services to authorize use of Receipt Reversals.