



**DEFENSE LOGISTICS AGENCY
HEADQUARTERS
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October 29, 2019

MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE (PRC) MEMBERS

**SUBJECT: Approved Defense Logistics Management Standards (DLMS) Change (ADC)
1352, New Status Code for DLA Advance Pay Sales Order Cancellation**

The attached change to DLM 4000.25, Defense Logistics Management Standards, is approved for staggered implementation.

Addressees may direct questions to Mr. Eric Flanagan, DOD MILSTRIP Administrator, e-mail: EBSO.Supply@dla.mil. Others must contact their designated Supply PRC representative available at <http://www.dla.mil/HQ/InformationOperations/DLMS/allpoc/>

DREXEL K. ROSS
Director
Enterprise Business Standards Office

Attachment
As stated

cc:
ODASD(Logistics)

Attachment to ADC 1352
New Status Code for DLA Advance Pay Sales Order Cancellation

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION:

- a. **Technical POC:** Defense Logistics Agency, J341 Order Management
- b. **Functional POC:** Defense Logistics Agency, J341 Order Management

2. FUNCTIONAL AREA LOGISTICS AND TRANSACTION CHANGES:

- a. **Primary/Secondary Functional Area:** MILSTRIP
- b. **Primary/Secondary Functional Process:** Billing
- 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		Physical Inventory		Contract Admin
	Discrepancies / Deficiencies		MILSTRAP		DoDAAD
	Serialization	X	MILSTRIP		MAPAD
	Small Arms/Light Weapons		MRA		LMARS
	pRFID		Disposition		DLM Publications
	GFP		DOD BRAC		

3. REFERENCES:

- a. 2017 National Defense Authorization Act for Fiscal Year 2017 (NDAA) Section 883, “Pilot Program for Distribution Support and Services for Weapon Systems Contractors”
- b. DLM 4000.25, Volume 2, Supply Standards and Procedures, Appendix 7.16 Status Codes

4. APPROVED CHANGE(S):

- a. **Brief Overview of Change:** This change establishes a new status code that DLA will use to cancel sales orders from non-Federal customers who lack sufficient funds to cover the cost of requisitioned materiel under a new process called Advance Pay.

b. Background:

(1) The 2017 National Defense Authorization Act (NDAA) Section 883 (Reference 3.a.) implements a six-year pilot program that allows DLA to make storage and distribution services available to contractors.

(2) To overcome regulatory barriers related to contractor-funded orders, DLA established a new process called Advance Pay. Advance Pay allows non-Federal customers to pay DLA upfront for the storage and distribution services. Under Advance Pay, the contractor makes a lump sum payment to DLA. Next, DLA bills the customer for goods and services provided by decrementing the customer's account.

(3) Lockheed Martin is among the first contractors that will participate in an Advance Pay arrangement. In support of the F-35 program, Lockheed-Martin agreed to fund DLA upfront for all related purchases. DLA will retain the customer's funds and decrement those funds when processing an Advance Pay sales order created from a requisition. This process will ensure a seamless payment process and enable faster acquisition of materiel and services. DLA may expand the Advance Pay initiative to other non-Federal customers, as necessary.

(4) The existing process to support upfront payments requires significant effort from DLA Finance, which must manually reconcile the payments. DLA attributed this limitation to numerous audit Notice of Findings and Recommendations (NFRs). DLA cannot resolve these NFRs without a system change. Furthermore, DLA does not have a method to accept funds from private, non-Federal organizations, apply them to the customer's account, and decrement the funds over time.

(5) Advance Pay requires EBS to identify authorized customers and link the sales order with the associated funds. However, DLA's Enterprise Business System (EBS) has limited capability to accept advance payments, with the exception of credit card orders placed through FEDMALL. Consequently, DLA Order Management coordinated with other DLA organizations to establish a systemic way to implement a viable alternative to FEDMALL.

(6) DLA will create an advance payment request after receiving the upfront funds from the customer. The EBS customer master will turn on pre-payment functionality for the customer's account. This functionality will allow DLA to decrement the customer's funds and track them over time. In addition, this process will decrease open accounts receivable by allowing DLA to collect the funds prior to invoicing the sales orders.

(7) DLA requires a new supply status code to notify the customer of a sales order cancellation resulting from insufficient Advance Pay funds. This ADC establishes the supply status code and documents the high-level procedures. The new supply status code is not applicable to non-Advance Pay sales orders.

c. Approved Change in Detail: This change revises DLM 4000.25, Volume 2, Appendix 7.16 Status Codes (Reference 3.b.) to include the new status code and associated definition (see section 4.d.).

d. **Revisions to DLM 4000.25 Manuals:** Add new Status Code PU to DLM 4000.25, Volume 2, Appendix 7.16:

CODE EXPLANATION

PU *Rejected. Unable to process non-Federal requisition due to insufficient funds available via Advance Pay. Provide additional funding for Advance Pay requirement and resubmit under new document number if still required.*

e. **Approved Transaction Flow:** This ADC does not establish a new transaction flow. EBS will use the DLMS 870S Supply Status to convey the status code.

f. **Alternatives:** None identified.

5. REASON FOR CHANGE: DLA J3, Order Management and DLA J8, Finance requested this change to allow DLA to reject requisitions from non-Federal customers that lack sufficient Advance Pay funds.

6. ADVANTAGES AND DISADVANTAGES:

a. **Advantages:** This change automates DLA's ability to allow non-Federal customers to provide upfront funding for requisitioning. DLA would no longer need to manually track and reconcile funds associated with the customer's account.

b. **Disadvantages:** None identified.

7. ESTIMATED TIME LINE/IMPLEMENTATION TARGET: TBD

8. ESTIMATED SAVINGS/COST AVOIDANCE ASSOCIATED WITH IMPLEMENTATION OF THIS CHANGE: None identified.

9. IMPACT:

a. **New DLMS Data Elements:** None

b. **Changes to DLMS Data Elements:** Update Supply Status to add the new code, PU.

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

(1) Participating information systems must recognize and process the new status code.

(2) DLA EBS and FEDMALL must implement the new status code and the associated processes.

d. **Defense Automatic Addressing System (DAAS):** This change does not affect DAAS.

e. **Non-DLM 4000.25 Series Publications:** DLA must update the Customer Handbook and applicable agency publications. Participating Service/Agencies should update publications as needed.

10. PROPOSED DLMS CHANGE (PDC) 1352 RESPONSE/COMMENT RESOLUTION:

	Component	Response/Comment	Disposition
1.	DLA	Concurs without comment	As noted.
2.	Navy	Concurs without comment	As noted.
3.	Air Force	Concurs without comment	As noted.
4.	US Army	No Response	
5.	USMC	Concurs without comment	As noted.
6.	DAAS	No Response	
7.	USTRANSCOM	No Response	
8.	DCMA	Concurs as written.	As noted.