



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

May 21, 2021

MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE (SPRC)

**SUBJECT: Approved Standards Change (ADC) 1400, Air Force 947I Inventory Adjustment
Transaction Cost Elements (Supply)**

The attached change to DoD Enterprise Business Standards, as outlined in the attachment, is approved for implementation.

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

THOMAS A. DELANEY
Director, Enterprise Business Standards Office

Attachment
As stated

cc:
ODASD(Logistics)
OUSD(C)
OUSD(A&S/DPC)

ADC 1400

Air Force 947I Inventory Adjustment Transaction Cost Elements

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION:

a. **Technical POC:** Mr. John “Jack” Dillon, AFMC/A4NL; 937-904-0815; DSN: 674-0815; or email: john.dillon.2.ctr@us.af.mil

b. **Functional POC:** Mr. Colquitt “Quitty” Lawrence, HAF/A4LR; 703-692-2348; DSN: 222-2348; or email: colquitt.lawrence.civ@mail.mil

2. REFERENCES:

a. Approved Defense Logistics Management Standards (DLMS) Change (ADC) 1224A, Addendum to (ADC) 1224, Requirements for Air Force Government Furnished Property (GFP) Accountability including Identification of the Contractor Inventory Control Point (CICP), the Physical Location of Property, the Authorizing Procurement Instrument Identifier (PIID), Disposal Information in the Issue Transaction, and Enhanced Data Content in Inventory-Related Transactions.

b. DODM 4140.01, “DOD Supply Chain Materiel Management Procedures”, Volume 5, “Delivery of Materiel”

c. ADC 1225, Revise DLMS 527R Receipt Transaction for Intra-Air Force Government Furnished Property (GFP) Accountability to Include Identification of the Contractor Inventory Control Point (CICP), Addition of Moving Average Cost (MAC), and Authorization to Use Latest Acquisition Cost (LAC) and Acceptance Date

d. ADC 1225A, Approved Addendum to ADC 1225, Accommodate Moving Average Cost and Latest Acquisition Cost to Materiel Receipts

3. APPROVED CHANGE(S): Substantial changes from the proposed change are highlighted in green.

a. **Brief Overview of Change:** This is an intra-Air Force-only change that modifies the DLMS 947I implementation convention (IC) to allow Air Force contractor inventory control points (CICP) to update or report missing cost element data via an inventory adjustment action using the Defense Property Accountability System (DPAS). The moving average cost (MAC), latest acquisition cost (LAC), and the standard price will be recorded via an inventory adjustment when Air Force CICP’s previous receipt documentation/document numbers are not available at time of receipt to determine proper materiel valuation.

b. **Background:**

(1) The Federal Accounting Standards Advisory Board guidelines state that valuating inventory using the latest acquisition cost (LAC) requires multiplying the last invoice

price paid by the quantity of all like units held, including those units acquired through donation or nonmonetary exchange. When LAC valuation is used, the inventory is revalued periodically, and an allowance account is established for the unrealized holding gains and losses associated with ending inventory. The Air Force uses LAC as one of the methods for item valuation.

(2) The Air Force requires Air Force CICPs to report cost elements at time of receipt. However, there is no process today to update or report a missing cost element once the item is in storage. As a result, the Air Force is requesting a change to the DLMS 947I Inventory Adjustment transaction to allow CICPs to update or report a missing cost element during inventory adjustment action.

(3) LAC is required on the DLMS 947I to allow the Air Force CICPs to record the cost associated with an item identified during a physical inventory where the original documentation is unavailable. Using the 947I provides a method to account for the asset and internally the CICIP will document the LAC used to support the deemed cost value.

(a) Upon approval of this change, Air Force CICIP's may record a missing or update one of the cost elements during an inventory action:

1. Moving average cost (MAC),
2. latest acquisition cost (LAC) or
3. standard price.

(b) The **Federal Accounting Standards Advisory Board guidelines** define the cost elements listed above. The Air Force CICPs will transmit one cost element per inventory adjustment transaction. Multiple transactions may be necessary to update more than one cost element.

c. Approved Change in Detail:

(1) This proposed change opens the 2/AMT/0700 segment in the DLMS 947I Inventory Adjustment transaction to allow Air Force CICPs to update or report missing cost elements when documentation is not available to determine proper valuation at time of receipt. This is an intra-Air Force requirement.

(2) This change adds three new AMT01 qualifiers as follow:

- (a) CX Actual – Use to update or report missing standard price,
- (b) JJ Cost Basis – Use to update or report missing latest acquisition cost (LAC),
- (c) AVE Average – Use to update or report missing moving average cost (MAC).

(3) Air Force CICP storage activities will use one cost element per inventory adjustment transaction. If more than one cost element is required, the Air Force CICP will send up to two additional DLMS 947I transaction with the same data, except the additional cost element data.

(4) In the DLMS 527R Receipt Transaction, revise the 2/AMT/100 segment note to remove the wording related to the moving average cost being identified in that segment. It is identified in 2/GF04/060. This is an administrative change and not related to the original requirement that added the LAC and MAC in the DLMS 527R Receipt (References 2.c. and 2.d.).

d. Revisions to Defense Logistics Manuals: Revise the DLMS 947I Inventory Adjustment and the DLMS 527R Receipt ICs as shown in Enclosure 1.

e. Approved Transaction Flow: No change to the process flow associated with AF GFP-A capability initiative shown in Enclosure 2.

4. REASON FOR CHANGE: This change allows Air Force CICPs to transmit cost data in inventory adjustments associated with their program to DPAS when previous receipt documentation/document numbers are not available.

5. ADVANTAGES AND DISADVANTAGES:

a. Advantages: This change accommodates the Air Force's requirement for CICPs to convey cost data associated with their program to DPAS.

b. Disadvantages: None.

6. ESTIMATED TIMELINE/IMPLEMENTATION TARGET: The Air Force may implement this change upon the release of the ADC. The estimated release date is April 1, 2021.

7. ESTIMATED SAVINGS/COST AVOIDANCE ASSOCIATED WITH IMPLEMENTATION OF THIS CHANGE: This change allows the Air Force to maintain proper item valuation in their respective accounting records. At this point, the Air Force has not identified any potential savings.

8. IMPACT:

a. **New Changes/Data Elements**: Add three new qualifiers as noted in Enclosure 1.

b. **Automated Information Systems (AIS)**: This change will impact the Air Force CICIP information systems and the Air Force accountable property system of record (APSR), which is currently the DPAS.

c. **Defense Automatic Addressing System (DAAS)**: DAAS must update the DLMS 947I mapping to recognize all three new qualifiers.

d. **Non-DLM Publications**: The Air Force identified the following changes to local policies: Government Furnished Materiel - Accountability Contractor Inventory Control Point Implementation Guide including the Appendix E: DLMS Transaction Guides.

9. PROPOSED DEFENSE LOGISTICS ENTERPRISE STANDARDS CHANGE (PDC) 1400 RESPONSE/COMMENT RESOLUTION:

	Component	Response/Comment	Disposition
1.	U.S. Army	None.	None.
2.	U.S. Navy	Concur with no comment.	As noted.
3.	U.S. Force	Concur with comments.	As noted.
4.	U.S. Marine Corps	Concur without comment.	As noted.
5.	DLA	Concur with no comments	As noted.
6.	DAAS	Concur with no comments.	As noted.
7.	DOD Comptroller	Concur with comment. Comments: After review of PDC 1400, it is our position that references to the DoD FMR should be removed. The DoD Volume 4 is under review and being updated, therefore to avoid conflicting guidance this PDC should reference Federal Accounting Standards Advisory Board guidelines. In this case, SFFAS 3 would be the most applicable reference as the Air Force is trying to use a different valuation method to value historical cost.	As noted. References to the DoD FMR were removed from ADC 1400 based upon DoD Comptroller comments.

Enclosure 1

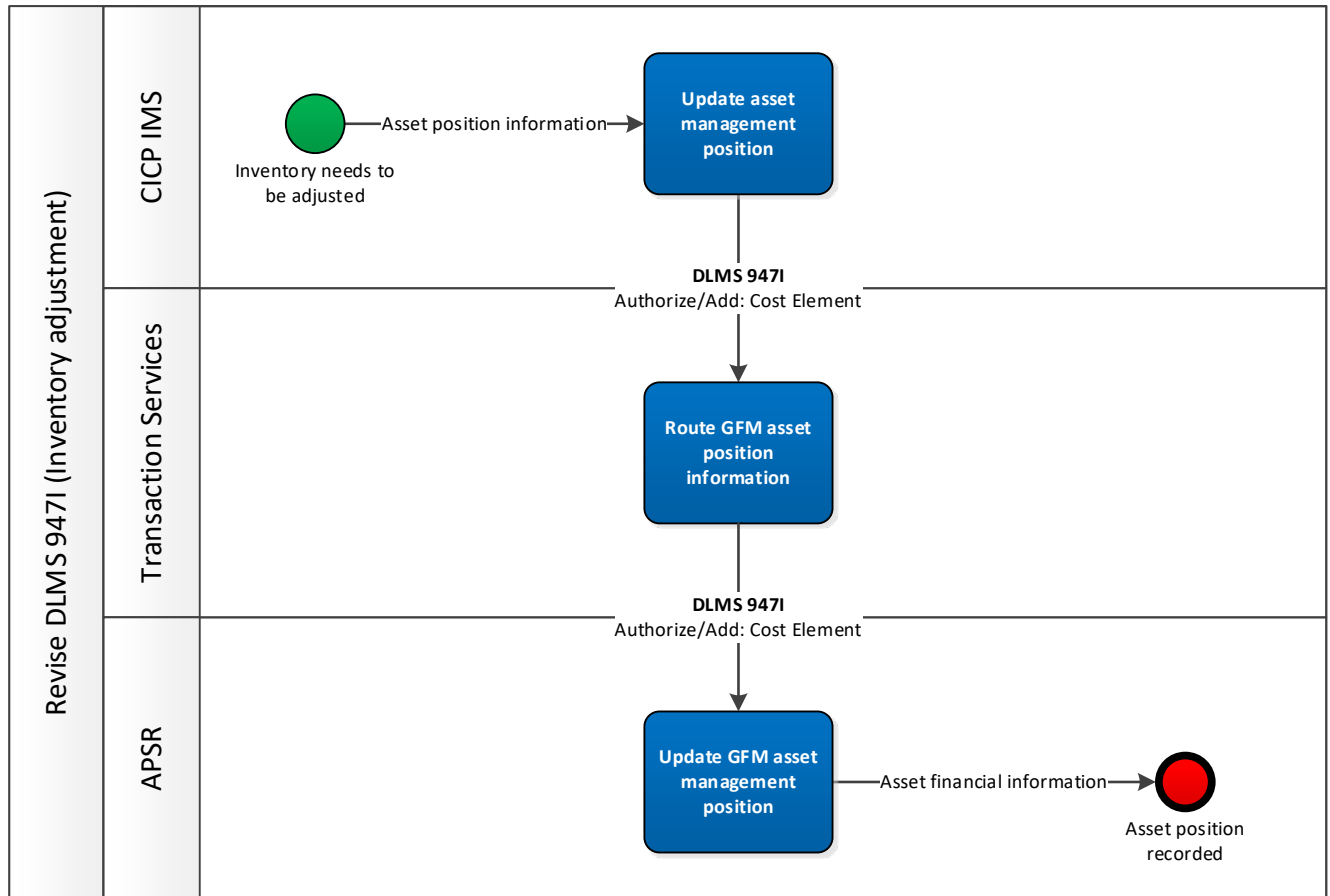
Revise DLMS 947I Implementation Convention (IC) as shown

Changes are identified by ***bold italics*** and deletions by single strikethrough text

#	Location	DLMS 947I Inventory Adjustment	Reason
1.	DLMS Introductory Notes	<p><u>Add ADC 1400 to DLMS Introductory notes:</u></p> <p><i>- ADC 1400, Air Force 947I Inventory Adjustment Transaction Cost Elements</i></p>	Identifies DLMS Changes included in the IC
2.	2/AMT/0700	<p><u>Open the 2/AMT/0700 segment:</u></p> <p>DLMS Note:</p> <p><i>1. For intra-Air Force use only. Use to provide a cost element when previous receipt documentation is not available. Use separate 947I transactions when more than one cost element is required.</i></p>	Open Segment to provide cost elements
3.	2/AMT01/0700 Amount Qualifier	<p><u>Open data element and add DLMS Note and add three qualifiers with DLMS Notes:</u></p> <p><i>DLMS Note: The following codes are authorized.</i></p> <p><i>CX Actual</i></p> <p><i>DLMS Note: For intra-Air Force use in wholesale receipts of property by the Air Force CICP to update the standard price.</i></p> <p><i>JJ Cost Basis</i></p> <p><i>DLMS Note: For intra-Air Force use in wholesale receipts of property by the Air Force CICP to the updated latest acquisition cost (LAC).</i></p> <p><i>AVE Average</i></p> <p><i>DLMS Note: For intra-Air Force use in wholesale receipts of property by the Air Force CICP to update the moving average cost (MAC) cost for the item received.</i></p>	Allows the Air Force to update or add missing cost element via the inventory adjustment action.
4.	2/AMT02/0700 Monetary Amount	<p><u>Open data element and add DLMS Note:</u></p> <p><i>DLMS Note:</i></p> <p><i>1. Express the cost element using the expanded unit price field size of 9 digits for dollars and 2 digits for cents. This is expressed as "R9.2". (R is the data element type indicating a decimal numeric data element. Pass the decimal point within the transaction; do not transmit leading and trailing zeros.</i></p> <p><i>2. Use of the expanded field size is an authorized DLMS migration enhancement. See DLMS introductory note 5e.</i></p>	

#	Location	DLMS 527R Receipt	Reason
2.	DLMS Introductory Notes	<u>Add ADC 1400 to DLMS Introductory notes:</u> - <i>ADC 1400, Air Force 947I Inventory Adjustment Transaction Cost Elements</i>	Identifies DLMS Changes included in the IC
	2/AMT/100	<u>Revise the AMT note:</u> DLMS Note: Use as needed in receipt and historical receipt transactions for Army Medical Materiel Agreement (AMMA), for Commercial Asset Visibility (CAV), and when agreed to by trading partners. For intra-Air Force use with receipts and historical receipts to provide Moving Average Cost (MAC) and Latest Acquisition Cost (LAC). Use of this segment as noted is an authorized DLMS migration enhancement. See introductory DLMS note 5g.	Corrects 527R documentation error. Moving average cost (MAC) is identified in 2/GF04/060

Enclosure 2 GFP-A Inventory Adjustment Transaction Flow



GFP-A Inventory Adjustment Transaction Narrative		
	Activity	Description
1	Update asset management position	Contractor performs an inventory adjustment. This could be the result of a condition code change, physical inventory, logistics reassignment, etc. Contractor transmits inventory adjustment Defense Logistics Management Standard (DLMS) 947I, including DoDAAC, through DAAS to Air Force Government Furnished Property (GFP) Accountable Property System of Record (APSR).
2	Route GFP asset position information	DAAS receives DLMS 947I, including DoDAAC, and routes it to the Air Force GFP APSR
3	Update GFP asset management position	Receive inventory adjustment DLMS 947I that includes DoDAAC from DAAS, record transaction and update the GFP balance to reflect the inventory adjustment. Air Force GFP APSR provides Air Force financial statements updated inventory balances and valuation