



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

3500 DEFENSE PENTAGON
WASHINGTON, DC 20301-3500

MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE

SUBJECT: Approved Defense Logistics Management Standards Change 1431, Reimbursements of Lateral Redistributions from a Credit to a Buy/Sell Process (Supply)

The Defense Logistics Management Standards change, as outlined in the attachment, is approved for implementation.

Addressees may direct questions to Rafael Gonzalez, e-mail: DEDSO.Supply@dla.mil. Others must contact their designated Process Review Committee representative available at <https://www.dla.mil/Defense-Data-Standards/Committees/Contacts/>.

Leigh E. Method, SES
Deputy Assistant Secretary of Defense
for Logistics

Attachments:
As stated

cc:
OUSD(C)
DLA J6DS

Approved Defense Logistics Management Standards Change 1431

Reimbursements of Lateral Redistributions from a Credit to a Buy/Sell Process (Supply)

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION: Mr. Rafael Gonzalez, Defense Enterprise Data Standards Office (DEDSO) Administrator, Rafael.Gonzalez@dla.mil.

2. REASON FOR CHANGE: Changes from the proposed to approved change are identified in **green shade text**.

a. Bottom Line Up-Front: Align the Defense Logistics Management Standards (DLMS) with changes made to DoD 7000.14-R, Department of Defense Financial Management Regulation (DoD FMR) (Reference 10.a), to make lateral redistribution eligible reimbursements standardized as disbursements, preventing recording of negative collections.

b. Background: The Defense Logistics Manual (DLM) 4000.25 detail conditions for an inventory control point or integrated materiel manager (ICP/IMM) to draw from a Component's excess inventory as a reimbursable lateral redistribution to fill a requisition. Procedures call for the entity giving up the materiel to suppress billing functions, as the ICP/IMM is instructed to send a credit for the quantity of materiel filled. However, some Components recorded the credit under receivables as a "reverse sale" and "negative collection" to cancel out the revenue and cost of goods sold. This approach is not in accordance with the existing accounting treatments and posting logic documented in the DoD United States, Standard General Ledger Transaction Library and causes a discrepancy at Treasury. In addition, the Army shared audit finding WA-2020-01 Treatment of Lateral Redistribution, with the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) to discuss unmatched distribution issues stemming from inconsistencies in how Components record reimbursements for lateral redistribution. To address the issue, OUSD(C)) issued a policy memorandum on June 29, 2020 (Reference 10.b) followed by changes to the DoD FMR, Volume 4, Accounting Policy, Chapter 4, Inventory and Related Policy, which strengthen the policy on lateral redistributions to be reimbursed as a disbursement.

The Office of the Deputy Assistant Secretary of Defense for Logistics (ODASD(Log)) amended DoD Manual (DoDM) 4140.01, Volume 5, DoD Supply Chain Materiel Management Procedures: Delivery of Materiel (Reference 10.c) in February 2023, aligning the DoDM with the FMR update by changing lateral redistribution from a "credit" to a "sale" process. These policy changes require an update to the DLM 4000.25 procedures for lateral redistribution to clarify the reimbursement to be processed as a sale.

Financial systems processing reimbursements for ICP/IMM lateral redistribution orders (LRO) can no longer "credit" an activity for their excess materiel sent to another activity. The ICP/IMM must buy the materiel from the activity. Likewise, the provider's financial system must follow billing procedures to be reimbursed by the ICP/IMM for the materiel.

The bill from the activity providing the materiel cannot use the standard price, which is loaded with additional costs sellers incur that should not be part of the reimbursement to the activity. The ICP/IMM tracks the average acquisition cost to know the value which would be a relevant value to reimburse the activity. The ICP/IMM must communicate the average acquisition cost to the activity to facilitate the billing by the activity to the ICP/IMM. The activity is still allowed to include reimbursement for incurred packing, crating, handling, and transportation (PCH&T) costs in the bill.

Also, any discrepancies that are approved for financial compensation will be addressed between the ICP/IMM and the provider as a billing adjustment.

3. CHANGE IN DETAIL:

a. Technical Details: This change will:

(1) Add new qualifiers for Average Acquisition Cost to the DLMS 511R Requisition (Qualifier AV in 2/PO105/030) and the DLMS 940R Materiel Release (Qualifier AVA in 2/AMT01/0800) transactions. The new qualifiers will allow the ICP/IMM to communicate the average acquisition cost to the ICP/IMM (supplying Service) for the materiel. Component systems processing LROs must communicate to their financial systems to bill for shipped LRO materiel. Billing adjustments may be received from the ICP/IMM for approved discrepancy reimbursements.

(2) Remove the Billing Advice Code 27 from Reference 10.d. This code was originally established to inquire about a pending credit due to lateral redistribution. Given recent changes in the FMR, this code is no longer necessary.

b. Revised Transaction Flow: Enclosure 3 depicts the process as outlined in Reference 10.b.

4. IMPLEMENTATION TARGET: DoD Components must evaluate each warehouse management system of record and their corresponding accountable property system of record (APSR) to determine the level of impact. DoD Components must also plan for implementation as soon as possible but not to exceed two fiscal years from approval of this change.

a. Navy Implementation: Implementation timeline cannot be determined until the requirement is finalized in an ADC and further determined.

5. TECHNICAL IMPACT:

a. Additions or Changes to Data Elements: Add new qualifiers for Average Acquisition Cost to the DLMS 511R implementation convention (IC) (Qualifier AV in 2/PO105/030) and the DLMS 940R IC (Qualifier AVA in 2/AMT01/0800) to indicate the unit price stated, is an average weighted cost to represent the actual cost paid for a unit of materiel. See Enclosure 1 for details.

b. Automated Information Systems (AIS):

(1) This change will impact all ICP/IMM systems as they will no longer credit the materiel provider. Instead, when an LRO materiel provider agrees to fulfill the request, funds must be obligated in anticipation of billing from the materiel provider. Billing adjustments approved for discrepancies noted by the requisitioner, will trigger billing adjustments to the materiel provider to reimburse the ICP/IMM.

(2) Although this change focuses on lateral redistribution, DEDSO is in the process of updating additional processes and procedures affecting the ability to credit. At a minimum, the following processes will be affected: materiel returns program, exchange of reparable (carcass), Supply Discrepancy Reporting, and Product Quality Deficiency Reporting. Components must consider future changes/expansions currently under development when implementing this change.

(3) Navy Systems: Module Test and Repair Application (MTRA) will be impacted.

c. Defense Automatic Addressing System (DAAS): Apply the appropriate system changes to support the new qualifiers in the DLMS 511R and 940R and update the corresponding DAAS mapping.

6. PUBLICATION/POLICY IMPACT:

a. Defense Logistics Manual (DLM) 4000.25: See Enclosure 2 for detailed updates to:

(1) Volume 2, Supply Standards and Procedures:

(a) Chapter 11, Materiel Returns, Redistribution of Assets, Directed Discrepant/Deficient Materiel Returns and Retrograde Returns

(b) Chapter 17, Supply Discrepancy Reporting

(2) Volume 4, Military Standard Billing System – Finance:

(a) Chapter 2, Billing Procedures

(b) Chapter 4, Adjustment Procedures

(c) Chapter 6, Defense Automatic Addressing System

(d) Appendix 2.3, Billing Advice Codes

b. Non-DLM 4000.25 Publications:

(1) DoD 7000.14-R, Department of Defense Financial Management Regulation (DoD FMR), Volume 4, Accounting Policy, Inventory and Related Property

(2) DoDM 4140.01, Volume 5, DoD Supply Chain Materiel Management Procedures: Delivery of Materiel

(3) DoD Components may need to update local policies or procedures.

7. ASSUMPTIONS:

This change focuses on supporting specific changes in policy, addressing the original audit finding (WA-2020-01 Treatment of Lateral Redistribution) focused on problems caused by accounting for lateral redistribution credits. In addition to LROs, procedures for reimbursement of procurement offsets and the materiel returns program are described as credits issued to the provider that may have similar issues. Follow-on changes may develop pursuant to ultimate disposition of this change.

8. FINANCIAL IMPROVEMENT AND AUDIT REMEDIATION (FIAR), MATERIAL WEAKNESS, AND AUDIT-RELATED INFORMATION:

a. **Notice of Finding and Recommendations (NFR):** “Treatment of Lateral Redistribution” is a recurring NFR issue reported in:

NFR Reference	ADVANA Key	Linked NFR Condition ID	Status
WA-2021-01	ARMY-2839	ARMY-2845	Open
WA-2020-01	ARMY-2050	ARMY-2051	Open
WA-2019-04	ARMY-1397	ARMY-1423	Open

(1) **Condition (WA-2021-01):** Army Working Capital Fund (AWCF) fulfills Defense Logistics Agency (DLA) backorders for material requisitions through a lateral redistribution process. DLA directs the AWCF to provide an item to a customer and then reimburses AWCF for the material. AWCF’s Logistics Modernization Program (LMP) records a collection (RD7) to GLAC 1010.1250 (Fund Balance with Treasury) and GLAC 1310 (accounts receivable). However, DLA reports the transaction to U.S. Treasury as a reverse disbursement (RD0), resulting in reconciling differences in the AWCF Fund Balance with Treasury Tier 3 Department 97 Reconciliation and Reporting Tool (DRRT) Reconciliation that require manual efforts to match and resolve. Army did not effectively design its Fund Balance with Treasury Tier 3 DRRT Reconciliation controls to timely resolve variances resulting from differences in the accounting treatment of lateral redistribution collection transactions reported by DLA to the U.S. Treasury as reverse disbursements.

b. Corrective Action Plan (CAP) References:

ADVANA Key	Title	CAP Ref.	Status
ARMYCAP-4122	Lateral Redistribution	WA-2019-04	Developed (1 of 5 milestones closed)
DFASIPACAP-5008	Lateral Redistribution FBWT Variance Corrections	WA-2019-04	Validated (all 11 milestones closed)

c. Other FIAR, Material Weakness, and Audit-Related Information:

(1) The ADVANA NFR Database lists the following details for NFR WA-2021-01, Treatment of Lateral Redistribution:

Individual Deficiency Category:	Control Deficiency	Deficiency Type:	Internal Controls (Non-IT), Policies and Procedures
Aggregate Deficiency Category:	Material Weakness (MW)	DoD Wide MW Area:	B2R – Fund Balance with Treasury

(2) Navy: Relevant to FIAR compliance requirements, the process is still being reviewed and researched.

9. END-TO-END TESTING REQUIREMENTS: N/A

10. REFERENCES:

a. DoD 7000.14-R, “Department of Defense Financial Management Regulation (DoD FMR),” Volume 4, “Accounting Policy,” dates vary by chapter

b. Under Secretary of Defense (Comptroller) Memorandum, “Accounting Treatment of Lateral Redistribution Activities (FPM 20-05),” June 29, 2020

c. DoD Manual 4140.01, Volume 5, “DoD Supply Chain Materiel Management Procedures: Delivery of Materiel,” February 7, 2023, as amended

d. Defense Logistics Manual 4000.25, “Defense Logistics Management Standards (DLMS),” Volume 4, “Military Standard Billing System – Finance,” Appendix 2.3, “Billing Advice Codes”

11. PDC 1431 RESPONSE/COMMENT RESOLUTION:

	Component	Response/Comment	Disposition
1.	DAAS	Concur.	As noted.
2.	DLA	<p>Concur with comment.</p> <p>Comments:</p> <ol style="list-style-type: none"> What mechanism or process is DLA supposed to use to seek a bill adjustment from the TAV shipping activity? The assumption that DLA will continue providing the Standard Price plus PCH&T to reimburse the Supplying Service for provision of excess retail materiel through Lateral Redistribution is incorrect. DLA will not implement these changes without the 	<p>DEDSO Response:</p> <ol style="list-style-type: none"> Noted. This is outside of the scope of this change. DLA would need to submit a new PDC and propose changes to TAV shipping. Noted. The concern was related to the second paragraph under assumptions. DEDSO removed assumption below from section 7 to address

		<p>concurrent correction to the value of the reimbursement in the FMR, DoDM 4140.01, and DLM 4000.25. We intend to non-concur if this is not removed.</p> <p>3. The references are cited only for the Army. It is unclear if there are the same or similar NFRs and reconciling differences with the Air Force or Navy. An initial look at the DoD NFR database returned no results for NFRs for the other components. Ensure that all components and their SMEs receive and comprehend the proposed significant change to the process. Differences in the Services' and DLA's implementation timeframes/timelines could cause significant issues.</p> <p>4. Should follow up continue indefinitely when no response is received or cease after a set number of days beyond ESD? Timely resolution will allow for deobligation of funds set aside in 11.17.4.1 Recommend defining acceptable timeframes so that UCO and UDOs do not age.</p> <p>5. C2.1.3. In-Storage Visibility Lateral Redistributions. When an Integrated Materiel Manager/Inventory Control Point (IMM/ICP) laterally redistributes materiel, reimbursement to the reporting activity and billing to the requisitioning activity will be affected upon notification of receipt by the requisitioning activity. Review and align verbiage in 2.1.3 with revised process and timing on the PDC flowchart. This is related to FPM 19-10.</p> <p>6. Proposed changes to P2P 'buy process' would require changes to the budget formulation process and would likely require increased execution monitoring as well as changes in budget reporting. This change would also require additional material obligation authority.</p>	<p>DLA's concern.</p> <p>"b.The billed amount for laterally distributed materiel will continue to be based on the cataloged unit price, with allowance for packing, crating, handling, and transportation (PCH&T). There are considerations for changing this approach since the cataloged unit price is based on incorporating a standard PCH&T expense into the cost of the materiel. As of yet, no policy change has required a change away from using the cataloged unit price plus relevant PCH&T when the ICP/IMM reimburses the materiel provider."</p> <p>3. Noted. This change requires a joint implementation.</p> <p>4. Noted. This is outside of the scope of this change. DLA would need to submit a new PDC to address any concerns with time frames.</p> <p>5. Added the change to chapter 2. As for the flow, OSD Comptroller implementation of FPM 19-10 will affect the order of actions.</p> <p>. Noted.</p>
3.	ODASD (Logistics)	Concurrence by signing PDC.	
4.	US Air Force	<p>Concur with comment.</p> <p>Comments:</p> <p>1. ILS-S will require MAJOR changes within the financial programs. Recommend DEDSO connect with DFAS for required updates to SMAS. The Air Force provided a copy of the PDC to DFAS personnel and noted our concern on 26 Oct 2022.</p> <p>2. SMAS program changes MUST be provided by SMAS personnel (DFAS). SMAS personnel will need to accomplish the proposed changes and conduct testing to ensure this meets the requirements as stated in this PDC.</p>	<p>DEDSO Response:</p> <p>Noted.</p>
5.	US Army	No response provided	N/A

6.	USMC	No response provided	N/A
7.	US Navy	<p>Concur with comment.</p> <p>Comments:</p> <ol style="list-style-type: none"> 1. “Applicable to the Application for the Transaction Types used. However, I do not believe I have ever seen a lateral redistribution take place. I feel like it would need to be implemented in case instances of lateral redistribution takes place, even if rarely.” 2. Resolution is pending review by the Finance PRC 	<p>DEDSO Response:</p> <p>Noted. The PDC was discussed during the PRC hosted back in September 2022. The finance reps were invited to the meeting.</p>
8.	USTRANSCOM	Abstain.	As noted.

Enclosure 1

Revise EDI X12 Implementation Conventions (IC) as shown:

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

#	Location	DLMS 940R (4030) Materiel Release	Reason
1.	DLMS Introductory Note	Add PDC 1431 to DLMS Introductory Note 7: <i>- PDC 1431, Reimbursements of Lateral Redistributions from a Credit to Buy/Sell Process</i>	Adds change to the introductory notes.
2.	2/AMT01/0800	Add code AVA with DLMS Notes: AVA Average Acquisition Cost DLMS Note: <i>1. Materiel managers perpetuate from the DLMS 511R in LROs to provide the average acquisition cost per unit of materiel to be used by the reporting activity to bill the materiel manager for any quantity filled.</i> <i>2. At this time a local code 'AVA' is established for use in the 940R, version 4030. A data maintenance action will be submitted for establishment of 'AVA – Average Acquisition Cost' in a future version.</i>	Requirement for ICP/IMM to include in LRO, so bill from activity providing materiel to ICP/IMM can properly price the materiel value.

#	Location	DLMS 511R (4010) Requisition	Reason
1.	DLMS Introductory Note	Add ADC 1431 to DLMS Introductory Note 7: <i>- ADC 1431, Reimbursements of Lateral Redistributions from a Credit to Buy/Sell Process</i>	Adds change to the introductory notes.
2.	2/PO105/030	Add code AV with DLMS Notes: AV Average Acquisition Cost DLMS Note: <i>1. Materiel managers use in LROs to provide the average acquisition cost per unit of materiel to be used by the reporting activity to bill the materiel manager for any quantity filled.</i> <i>2. At this time a local code 'AV' is established for use in the 511R, version 4010. A data maintenance action will be submitted for establishment of 'AV – Average Acquisition Cost' in a future version.</i>	Requirement for ICP/IMM to include in LRO, so bill from activity providing materiel to ICP/IMM can properly price the materiel value.

Enclosure 2

Make the following changes to Defense Logistics Manual (DLM) 4000.25. Additions are shown in **red bold italics**, and deletions in double strikethrough text.

A. Modify DLM 4000.25, Volume 2, Supply Standards and Procedures, Chapter 11, Materiel Returns, Redistribution of Assets, Directed Discrepant/Deficient Materiel Returns and Retrograde Returns

C11.17. INVENTORY CONTROL POINT/INTEGRATED MATERIEL MANAGER LATERAL REDISTRIBUTION OF RETAIL ASSETS

C11.17.1. Purpose. This paragraph outlines procedures for filling back orders by generating lateral redistribution orders for retail materiel that has been identified through an inter- or intra-DoD Component retail asset visibility system. Additionally, ICPs/IMMs may use these procedures to direct lateral redistribution when the total cost of such action is lower or when the wholesale level does not have stock available to meet a requisition's required response time.

C11.17.2. Backorder Supplied by Lateral Redistribution. If a backorder is to be supplied by lateral redistribution of materiel identified by an inter- or intra-DoD Component retail asset visibility system, the lateral redistribution order (LRO) will contain appropriate data from the requisition, DLMS 940R, (Referral Order (For Domestic Shipment/With NSN/North Atlantic Treaty Organization (NATO) Stock Number)) in the document identifier, the RIC of the reporting activity, Distribution Code 2 for consumable materiel or Distribution Code 3 for reparable materiel, ***the billed ICP/IMM DoDAAC and fund code, materiel average acquisition cost,*** and the RIC of the receiving ICP/IMM. ***Conformance with SLOA/accounting classification requires any initiation of a financial business event to include SLOA mandated standard financial information system (SFIS) elements. The DLMS shipment status for ICP/IMM directed lateral redistribution supports inclusion of SLOA required elements. Pending full implementation of SLOA, DAAS will facilitate interoperability by updating selected SLOA data fields based upon the reporting activity's Service/Agency and Fund Code. If discrete values for the SLOA data elements in the transaction do not match data elements from the SFIS Fund Code to Fund Account Conversion Table for the Fund Code in the transaction, reject with the DLMS 824R Reject Advice citing Reject Advice Code BU.*** The LRO will be forwarded through DAAS to the reporting activity. DLMS 945A, Materiel Release Advice (to ICP/IMM From Storage Activity) with Status Code BA will be provided to eligible status recipients.

C11.17.3. Reporting Activity Actions. The reporting activity will:

C11.17.3.1. Process the Lateral Redistribution Order on a Fill/Kill basis. Provide Status Code BA using DLMS 945A, Materiel Release Advice (to ICP From Storage Activity), for the quantity being filled and/or Status Code CB status for the

quantity not being filled (killed) to the receiving activity and include Distribution Code 2 or 3.

C11.17.3.2. Supply Substitutions. Substitutions are allowed if the requiring activity/requisitioning activity and the supplying/holding activity are the same DoD Component. Do not substitute if the requiring/requisitioning activity and the supplying/holding activity are different DoD Components.

C11.17.3.3. Ensure Shipment. Ensure materiel is shipped, using DD Form 1348-1A, to the activity identified in the LRO as the "ship-to" addressee. When the materiel is shipped, send DLMS 856S, Shipment Status (To ICP/IMM From Reporting Activities for LRO Shipments of Retail Assets), to the activity identified as the receiving activity in the LRO. The DLMS 856S must include the ~~DoDAAC and fund code of the activity to which the credit for the materiel and reimbursement for the packing, crating, handling, and transportation (PCH&T) costs is to be provided; and Signal Code B and Distribution Code 2 or 3. Conformance with SLOA/accounting classification requires any initiation of a financial business event to include SLOA mandated standard financial information system (SFIS) elements.~~¹² The DLMS shipment status for ICP/IMM directed lateral redistribution supports inclusion of SLOA required elements. Pending full implementation of SLOA, DAAS will facilitate interoperability by updating selected SLOA data fields based upon the reporting activity's Service/Agency and Fund Code. If discrete values for the SLOA data elements in the transaction do not match data elements from the SFIS Fund Code to Fund Account Conversion Table for the Fund Code in the transaction, reject with the DLMS 824R Reject Advice citing Reject Advice Code BU. Retail activities will use Uniform Materiel Movement and Issue Priority System (UMMIPS) time standards for processing LROs directed by the ICP/IMM. If invalid/missing fund code for Signal Code A, B, C, J, K, or L, reject with the DLMS 824R Reject Advice citing Reject Advice Code BU

C11.17.3.4. **Generate Billing**. ~~Establish Internal Records.~~ ***Generate billing to the ICP/IMM for the materiel sent to the original requisitioner. The bill amount is calculated based on multiplying the quantity shipped by the average acquisition cost provided by the ICP/IMM, along with allowed*** ~~Establish internal records to receive credit for the materiel and reimbursement for PCH&T costs and not generate billing instructions.~~

C11.17.4. Inventory Manager Actions. ICP/IMM will:

C11.17.4.1. **Record Obligation**. ***Upon receiving DLMS 945A response from Reporting Activity, record an obligation for any quantity being filled by the Reporting Activity based on the average acquisition cost.***

C11.17.4. **24. Update Estimated Ship Dates**. Use DLMS 945A, Materiel Release Advice (To ICP From Storage Activity), with Status Code BA and Distribution Code 2 or 3 to update ESDs.

C11.17.4.32. Generate Follow-Ups. Generate DLMS 940R, Materiel Release (From ICP/IMM to Reporting Activity or Storage Activity), follow-ups with Distribution Code 2 or 3 to the reporting activity as follows:

C11.17.4.32.1. When the initial Status Code BA or CB is not received on LROs within 10 calendar days.

C11.17.4.32.2. Upon receipt of Supply Status Code BA without an ESD and 10 calendar days have elapsed since the transaction date of the DLMS 945A, Materiel Release Advice (To ICP From Storage Activity), Supply Status Code BA.

C11.17.4.32.3. Upon Receipt of Supply Status Code BA with an ESD and the ESD has expired.

C11.17.4.32.4. When no response is received to the previous follow-up and 10 calendar days have elapsed. Continue to follow up until status is received, backorder is re-established, or final disposition.

C11.17.4.43. Provide Reinstatement and Status Notification. Reinstate the requisition and send appropriate status to eligible status recipients upon receipt of DLMS 945A, Materiel Release Advice (To ICP From Storage Activity)/Status Code CB with Distribution Code 2 or 3.

~~C11.17.4.4. Generate Billing. Upon receipt of DLMS 856S, Shipment Status (To ICP/IMM from reporting activities for LRO shipments of retail assets), with Distribution Code 2 or 3, generate billing transactions to the requisitioner and provide crediting transactions for the materiel and PCH&T under the procedures of MIL SBILLS procedures, to the credit to activity identified in DLMS 856S, Shipment Status. In addition, ICP/IMM will send DLMS 856S, Shipment Status (To DAAS From Service/Agency for Distribution), shipment status transaction to DAAS.~~

C11.17.4.5. Create Customer Supply/Status Transactions. When creating customer supply and status transactions as a result of processing DLMS 945A, Materiel Release Advice or DLMS 856S, Shipment Status Materiel Returns, transactions with Distribution Code 2 or 3, always use the distribution code that was in the original requisition.

B. Modify DLM 4000.25, Volume 2, Supply Standards and Procedures, Chapter 17, Supply Discrepancy Reporting

C17.3.5. Discrepancies Resulting from Lateral Redistribution Orders (LROs) on Total Asset Visibility (TAV) Shipments. Coordination with the Military Service shipping activity is recommended prior to ICP resolution of the SDR.

C17.3.5.1. All SDRs submitted for DLA directed LROs where the item is managed by DLA, owned by Army's Non-Army Managed Items (NAMI) Group, Supply

Directorate (Routing Identifier Code (RIC) AJ2), and shipped from an Army CONUS site, must be sent to NAMI for investigation, with an information copy to DLA (RIC SMS). This is normally accomplished via exception routing rules within DoD WebSDR. SDRs meeting these criteria will be assigned Document Type V. Any SDRs received directly by DLA will be forwarded to NAMI (RIC AJ2) via SDR forwarding reply citing Reply Code 504. NAMI will research the discrepancy and forward recommended disposition to DLA for final action. The NAMI action activity will provide recommended disposition to DLA within 25 calendar days using an SDR forwarding reply citing Reply Code 307. After 25 calendar days have elapsed and NAMI recommended resolution has not been received, DLA will follow-up for recommended disposition.

C17.3.5.2. Upon receipt of recommended disposition, DLA will review and provide final decision to the customer, along with an information copy to NAMI. DLA will be responsible for **seeking a bill adjustment from** ~~reversing credit to~~ the TAV shipping activity, ~~issuing credit~~ **returning payment** to the requisitioner, and deleting activities from the TAV process due to poor performance, in coordination with NAMI.

C17.3.5.3. If Army shipped the wrong item or an overage, NAMI will be responsible to provide the customer with disposition instructions and/or directions for returning the item back to Army. If the item is to be retained by the customer, NAMI will be responsible for financial actions as appropriate. DLA will not reimburse the shipper for wrong item or over shipments of Army issues relative to TAV."

C. Modify DLM 4000.25, Volume 4, Military Standard Billing System - Finance, Chapter 2, Billing Procedures

Intervening text not shown.

C2.1.3. In-Storage Visibility Lateral Redistributions. When an Integrated Materiel Manager/Inventory Control Point (IMM/ICP) laterally redistributes materiel, ~~reimbursement to the reporting activity and billing to the requisitioning activity will be effected upon notification of receipt by the requisitioning activity.~~ **The reporting activity bills the IMM/ICP per standard supply fulfillment procedures. The IMM/ICP may seek bill adjustments from the reporting activity for discrepancies the IMM/ICP has adjusted for the requisitioning activity.**

Intervening text not shown.

C2.2.2.1. ~~Lateral Redistribution Credits~~ **Payments**. Reimbursements for materiel laterally redistributed will be processed **using the average acquisition cost provided by the ICP/IMM on the LRO** ~~at the standard price in effect at the time of shipment.~~ ~~Credits~~ **Payments** may be fully or partially ~~reversed~~ **recouped** by the IMM/ICP **through a billing adjustment request** when a validated discrepancy report documents the materiel was not shipped in a condition or quantity warranting full ~~credit~~ **payment**.

D. Modify DLM 4000.25, Volume 4, Military Standard Billing System - Finance, Chapter 4 Adjustment Procedures

C4.10.2.2. The portion of ~~credits~~ **payment** for materiel laterally redistributed may be fully or partially ~~reversed~~ **recouped** by the IMM when a discrepancy report documents the materiel was not shipped in a condition warranting full ~~credit~~ **payment**.

Intervening text not shown.

~~C4.11.7. Lateral Redistributions (In-Storage Visibility for Both Consumables and Reparables). Offices promised credits for lateral redistributions (In-Storage Visibility (ISV) for both consumables and reparables) will follow up on credits not received within 30 calendar days of the date shipment confirmation is submitted to the ICP/IMM. The initial request must be made by submitting a Request for Billing Adjustment (DLMS 812R, DIC FAE) record citing BAC 27 to the ICP/IMM.~~

E. Modify DLM 4000.25, Volume 4, Military Standard Billing System - Finance, Chapter 6, Defense Automatic Addressing System as follows:

C6.6.1.2.9. In-storage Visibility Redistribution (ISVR) ~~credit~~ **reimbursement** report 'Lateral Redistribution.'

Intervening text not shown.

C6.6.8. ~~In-storage Visibility Redistribution Credit~~ **Reimbursement** Report. This is a report of laterally redistributed materiel and ISV procurement offset reimbursements. It shows the number and dollar value of ~~credits~~ **reimbursements** for materiel, transportation, packing, crating, and handling by DoDAAC and/or RIC receiving the ~~credit~~ **reimbursement**. See Figure C6.F5 for an example of this report. Figure C6.F5. In-storage Visibility Redistribution ~~Credit~~ **Reimbursement** Report.

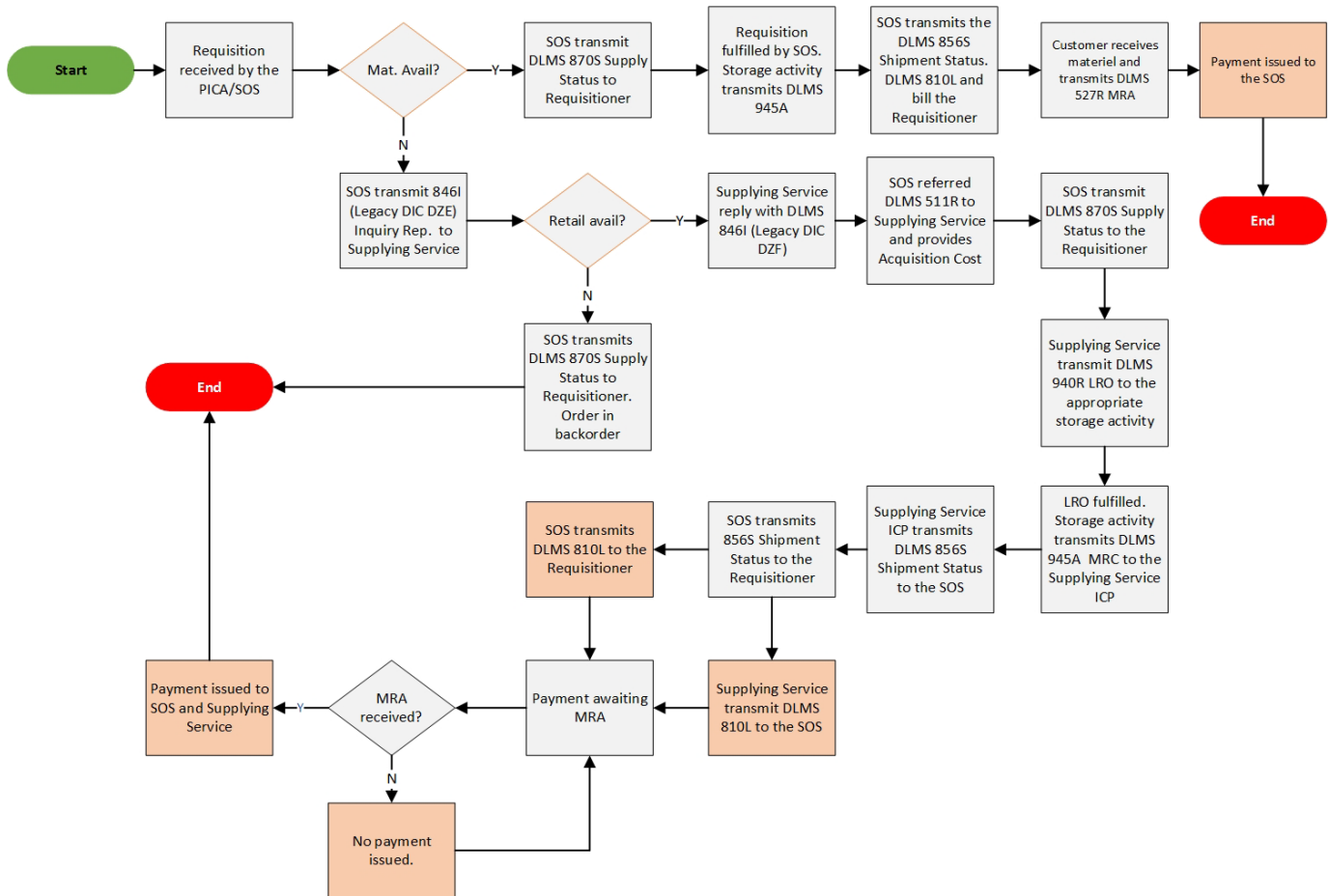
F. Modify DLM 4000.25, Volume 4, Military Standard Billing System - Finance, Appendix 2.3 Billing Advice Codes as follow:

27 ~~Material laterally redistributed as directed and shipment status (AS6) provided; however, credit billing not received. Request credit status~~ **Reserved**.

Enclosure 3

Lateral Redistribution Process (No Credit)

Lateral Redistribution



Acronyms:

DIC	Document Identifier Code
DLMS	Defense Logistics Management Standards
ICP	Inventory Control Point
LRO	Lateral Redistribution Order
MRA	Materiel Receipt Acknowledgement
MRC	Materiel Release Confirmation
PICA	Primary Inventory Control Activity
SOS	Source of Supply