



SUSTAINMENT

## OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

3500 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3500

### MEMORANDUM FOR PRODUCT QUALITY DEFICIENCY REPORT AND SUPPLY DISCREPANCY REPORT PROCESS REVIEW COMMITTEES

SUBJECT: Approved Defense Logistics Management Standards Change 1446, Security  
Assistance Supply Discrepancy Reporting and Product Quality Deficiency Reporting

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

Addressees may direct questions to Mark Rockwell e-mail: [DEDSO.PQDR@dla.mil](mailto:DEDSO.PQDR@dla.mil). Others must contact their designated Process Review Committee (PRC) representative available at <https://www.dla.mil/Defense-Data-Standards/Committees/Contacts/>.

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

Attachment  
As stated

cc:  
OUSD(C)  
ASD(A)  
DLA J6DS

# **Approved Defense Logistics Management Standards Change 1446, Security Assistance Supply Discrepancy Reporting and Product Quality Deficiency Reporting**

**1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION:** Defense Logistics Agency (DLA), Defense Enterprise Data Standards, (J6DS), Steven Nace, 571-477-4194, steven.nace@dla.mil

**2. REASON FOR CHANGE:** Significant updates after staffing the proposed change are in green highlighting.

## **a. Bottom Line Up-Front:**

(1) This change will standardize and document the Product Quality Deficiency Report (PQDR) logistics process across the Department of Defense (DoD). Standardization will improve communication between the International Logistics Control Offices (ILCOs) and Action Activities (further referred to as Action Points), increase investigative data sharing, and improve the accuracy of supplier risk performance reporting to the Supplier Performance Risk System (SPRS).

(2) Once the Defense Logistics Management Standards (DLMS) 842P PQDR exchange transaction is fielded (reference 10.a.) this change will require the ILCO to take quality related deficiencies reported by DoD Security Assistance (SA) customers on a Supply Discrepancy Report (SDR) and submit them through a DLMS-compliant PQDR application using the DLMS 842P. A subsequent DLMS change will be written to align SA customer SDR and PQDR procedures to further define the process and procedures once the DLMS 842P is implemented.

(3) This change does not affect the way SA customers currently report PQDRs to the ILCO resulting from the FMS program.

## **b. Background:**

(1) Per Defense Logistics Manual (DLM) 4000.25, Volume 2, Chapter 17 (reference 10.b.), SA customers report product quality related deficiencies as Supply SDRs on a Standard Form 364 to their supporting ILCO for initial screening. The ILCO, in turn, processes these quality deficiencies through the SDR process.

(2) While the SDR process has provided SA customers and ILCOs with a systemic method for submitting product quality deficiencies, the SDR and PQDR processes have been designed to document findings and communicate in different ways. Some examples of the additional PQDR investigative details include the requirement to detail the root cause, identifying the entity responsible for the deficiency, corrective and preventative actions taken, and whether stock screening or alerting other supply activities is required.

(3) Unlike SDRs, PQDRs often require special testing to validate the reporting and determine the root cause of the deficiency. Action Points rely on the outside support of

vendors who supplied the materiel, the Defense Contract Management Agency (DCMA), test centers, and Engineering Support Activities (ESA) to assist with these portions of the investigation. While not all Support Points, like ESAs, utilize the PQDR process to inform about their findings, others such as DCMA depend on the PQDR process's ability to communicate investigative findings and to request materiel be sent to vendor locations for investigative testing and analysis.

(4) Upon completion of an SDR or PQDR, especially when the result of the deficiency is determined to be vendor non-compliance, both processes report information to the SPRS (<https://www.sprs.csd.disa.mil/>). However, SDRs and PQDRs do not hold an equal record weight in the SPRS since quality related deficiencies reported through the SDR process do not impact supplier performance equal to that of PQDRs. Furthermore, Document Type 7 SDRs are not part of the data set transmitted to SPRS for vendor non-compliance. Therefore, SA customer SDRs reporting quality related issues are not being included in SPRS data regarding vendor non-compliance. This could result in future DoD contract awards being given to vendors that would have otherwise not qualified if past quality deficiencies were reported through the PQDR process. For more information on SPRS Quality Performance Records weight factors, please visit the SPRS website.

### **3. CHANGE IN DETAIL:**

#### **a. Technical Details:**

(1) This change to the DLMS will require the ILCO to take quality related deficiencies reported by SA customers on SDRs and submit them through a DLMS-compliant PQDR application using the DLMS 842P (reference 10.b.). This will allow for improved tracking and information sharing between Action Points and ILCOs while the PQDR progresses through the investigative process.

(2) There will be no change to the current discrepancy report preparation and submission time by the SA purchaser, which is limited to the time standards cited in the United States of America Department of State Letter of Authorization (LOA and amendments thereto, as explained in Defense Security Cooperation Agency Manual 5105.38-M (reference 10.c.).

(3) Each military service ILCO will, at a minimum, be required to appoint one individual to serve as a member of the DoD PQDR Process Review Committee. This will ensure future changes to the PQDR process are properly coordinated with personnel who have the technical knowledge of the SA process and are aware of the complexities and potential impacts a change may present.

#### **b. Revised Transaction Flow:**

(1) Based upon LOA agreements, SA customers will continue to use SDRs to report all supply, billing/financial, and product quality deficiencies/discrepancies associated with SA shipments.

(2) All SA SDRs will be submitted directly to the applicable ILCO for initial screening and processing. When SA SDRs list one or more of the Product Quality (Item)

Deficiency (Security Assistance Only) Discrepancy Codes listed in DLM 4000.25, Volume 2, Appendix 7.28 (reference 10.g.), ILCOs will use information provided on the SA SDR to initiate a PQDR through a DLMS-compliant PQDR application. Upon receipt of the PQDR, Action Point personnel will assist the ILCO in validating the quality reporting by SA customers.

(3) ILCOs will act as both the Originating Point and Screening Point for all SA PQDRs. All communication regarding the status of the investigation by PQDR Action Point and Support Point personnel will be communicated directly with the ILCO. Upon completion of the PQDR investigation, the ILCO will approve final closure of SA PQDRs and use their discretion in determining the level of investigative details to provide back to the SA customer through the original SDR submitted by the SA customer.

**4. IMPLEMENTATION TARGET:** Due to the need for full DLMS 842P programming prior to implementing this change, targeted implementation will follow the anticipated schedule described in approved DLMS change (ADC) 1007E (reference 10.a.).

TASK	ESTIMATED DURATION	ESTIMATED COMPLETION
Develop Detailed Requirements	12 weeks	12 weeks
Design	2 weeks	14 weeks
Development	44 weeks	58 weeks
Internal System Test	16 weeks	74 weeks
Integrated System Test	12 weeks	86 weeks
Product Delivery	4 weeks	90 weeks
Release to Production - 2 days (Saturday/Sunday weekend maintenance window)	2 days	90 weeks, 2 days

## 5. TECHNICAL IMPACT:

a. **Additions or Changes to Data Elements:** The additional DLMS X12 data elements required to support SA submitted PQDRs, through the military service ILCO, (Security Assistance Foreign Military Sales (FMS) Case Number) have been added to line segment 2/REF01/0700 of ADC 1007E (reference 10.b.).

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

(1) Product Data Reporting and Evaluation Program-Automated Information System (PDREP-AIS): Naval Sea Logistics Center, Elizabeth Woodbury, [Elizabeth.A.Woodbury3.civ@us.navy.mil](mailto:Elizabeth.A.Woodbury3.civ@us.navy.mil)

(2) Joint Deficiency Reporting System (JDRS): Naval Air Systems Command, Brian McCabe, [Brian.D.McCabe4.civ@us.navy.mil](mailto:Brian.D.McCabe4.civ@us.navy.mil)

(3) Enterprise Business System (EBS): Defense Logistics Agency, Logistics Operations, Christine Richey, [Christine.Richey@dla.mil](mailto:Christine.Richey@dla.mil)

c. **Defense Automatic Addressing System (DAAS):** DAAS will receive the transactions and route them to the Action Point as identified in the transaction without making any edits.

## **6. PUBLICATION/POLICY IMPACT:**

### **a. Defense Logistics Manual (DLM) 4000.25:**

(1) DLM 4000.25, Volume 2, Chapter 17, Supply Discrepancy Reporting

(2) DLM 4000.25, Volume 2, Chapter 24, Product Quality Deficiency Report

### **b. Non-DLM 4000.25 Publications:**

(1) DSCA Manual 5105.38-M, Security Assistance Management Manual

(2) DLAR 4155.24/AR 702-7/SECNAVINST 4855.21/AFI 21-115/DCMA INST 1102, Product Quality Deficiency Report Program (Inter-Service Product Quality Deficiency Report). Note: this will be replaced by reference 10.c. in the coming months.

(3) SECNAVINST 4855.3, Product Data Reporting and Evaluation Program

(4) DLA eSOP 4145.04-001, DLA Discrepancy Reporting Program-Supply Discrepancy Reports (SDRs) and Storage Quality Control Reports (SQCRs)

(5) TO 00-35D-54, USAF Deficiency Reporting, Investigation, and Resolution (DRI&R)

**7. ASSUMPTIONS:** The Services will be required to ensure the ILCOs are trained on the difference between a PQDR and an SDR, when to submit a CAT I vs CAT II, overall PQDR process, and investigation closing results and codes. ILCO personnel that will support the processing of product quality deficiencies will also require training on the use of a DLMS-compliant PQDR application prior to implementing this change.

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

**9. END-TO-END TESTING REQUIREMENTS:** Pending the full systemic programming of the DLMS 842P transaction by the PQDR processing systems (JDRS, PDREP, and EBS), DAAS will need to ensure the proper routing of PQDRs to each military service ILCO. Additionally, each system will need to ensure proper DLMS X12 mapping of the Security Assistance Foreign Military Sales Case Number from line segment 2/REF01/0700 of DLMS 842P.

## **10. REFERENCES:**

- a. ADC 1007E, DLMS 842P Procedures, Business Rules, Data Elements, and Coding Updates
- b. DLM 4000.25, Volume 2, Chapter 17, Supply Discrepancy Reporting
- c. DLM 4000.25, Volume 2, Chapter 24, Product Quality Deficiency Reporting
- d. DLAR 4155.24/AR 702-7/SECNAVINST 4855.21/AFI 21-115/DCMA INST 1102, Product Quality Deficiency Report Program (Inter-Service Product Quality Deficiency Report).  
*Note: This will be replaced by reference 10.c. in the coming months.*
- e. DLMS 842P Implementation Convention
- f. DSCA Manual 5105.38-M, Security Assistance Management Manual
- g. DLM 4000.25, Volume 2, Appendix 7.28, SDR Relevant Data Elements

## **11. PROPOSED FUNDING REQUIREMENTS:**

	Component	Response/Comment
1.	DLA	Unknown
2.	Army	No Comment Provided
3.	Air Force (SDR)	N/A
4.	Air Force (PQDR)	No Comment Provided
5.	Navy	No Comment Provided
6.	DCMA	No Comment Provided
7.	USMC	No Comment Provided
8.	USTRANSCOM	No Comment Provided

## **12. IMPLEMENTATION TIMELINE AND ESTIMATED COMPLETION DATE:**

	Component	Response/Comment
1.	DLA	Unknown
2.	Army	No Comment Provided
3.	Air Force (SDR)	N/A
4.	Air Force (PQDR)	No Comment Provided
5.	Navy	No Comment Provided
6.	DCMA	No Comment Provided
7.	USMC	No Comment Provided
8.	USTRANSCOM	No Comment Provided

Enclosure 1

PDC 1446 Comment Matrix

Component Input			Action Officer Response		
ORG	COMMENT	RECOMMENDED CHANGE	COMMENTOR	Accept or Reject	DEDSO Notes
DLA (SDR/PQDR)	<p><b>Concur with comments</b></p> <p>Page 2 Paragraph 2a (last sentence) (Substantive)</p> <p>After this PDC become approved and implemented ICP Action Point should have instructions to reject incorrectly submitted SDRs that should have been submitted as PQDRs.</p>	<p>Any Type SA/FMS SDR 6,7 SDR with PQDR Discrepancy Code Q1-Q8 received from ILCO/Screening Point after this change is implemented will be rejected by the Action Point (Investigation ICP) with Reply Code 718 (SDR identifies a quality deficiency. Resubmit as a PQDR.)</p>	<p>Troy Brown, DLA SDR PRC member, troy.brown@dla.mil, DLA</p> <p>DLA AVN</p>	Reject	DEDSO agrees with the statement to reject the SDR, however there is no need to update the ADC with this statement as Reply Code 718 is currently available for the action point to use to reject an incorrectly submitted SDR.
DLA (SDR/PQDR)	<p>Page 5 Paragraph 8d. (last sentence) (Substantive)</p> <p>Possible incomplete reference in note Page paragraph 8d.... ? (see Page 2, Paragraph 2a.(2) last sentence: indicates (reference 10.c) is part of DSCA Manual 5105.38-M. Recommend include full reference to Page 5, Para 8d Note.</p>	<p>d. DLAR 4155.24/AR 702-7/SECNAVINST 4855.21/AFI 21-115/DCMA INST 1102, Product Qualify Deficiency Report Program (Inter-Service Product Quality Deficiency Report). Note: this will be replaced by DSCA Manual 5105.38-M (reference 10.c). . in the coming months.</p>	DLA AVN	Accept	Reference 10d is now complete.
DLA (SDR/PQDR)	<p>Page 2 Paragraph 1b(4) (Substantive)</p> <p>This paragraph references SPRS website for more information. However, no there is no location as to where the SPRS is located.</p>	Add SPRS website location.	DLA L&M	Accept	Added this website:  <a href="https://www.sprs.csd.disa.mil/">https://www.sprs.csd.disa.mil/</a>

DLA (SDR/PQDR)	<p>Page 4 Paragraph 5 (Substantive)</p> <p>The Assumption paragraph only specifies that ILCO personnel will require training on the use of a DLMS-compliant PQDR application prior to implementing this change. The ILCO also need to be trained on the difference between a PQDR and an SDR. Example wrong part supplied (if tested) will NOT conform to the current technical requirements however wrong part received does not meet the requirements of a PQDR. ILCO need to be trained on the difference between submitting a CAT I and CAT II, understand the PQDR process, and understand investigation closing results and codes to determine when an investigation is acceptable or need to be rebutted.</p>	<p>ADD to the Assumption Paragraph: The ILCO also need to be trained on the difference between a PQDR and an SDR, when to submit a CAT I vs CAT II , PQDR process and investigation closing results and codes.</p>	DLA L&M	Accept	<p>Added this wording to the Assumption paragraph: The Services will be required to ensure the ILCOs are trained on the difference between a PQDR and an SDR, when to submit a CAT I vs CAT II, overall PQDR process, and investigation closing results and codes.</p> <p>This training requirement will be developed more fully in PDC 1446A.</p>
ARMY	<b>Concur - No formal response within the 30 day comment period</b>				
AIR FORCE (SDR)	<p><b>Concur with comment</b></p> <p>Page 4 Paragraph b</p> <p>Substantive</p> <p>Air Force TO 00-35D-54 will be impacted</p>	<p>Add paragraph 4., b., (5) as follows: "(5) TO 00-35D-54, USAF Deficiency Reporting, Investigation, and Resolution (DRI&amp;R)"</p>	MR. DAVE NEUMEIER, DRI&R SME, DAVE.NEUMEIER.CTR@US.AF. MIL, HQ AFMC/A4/10-EN	Accept	Reference updated.
AIR FORCE (PQDR)	<b>Concur - No formal response within the 30- day comment period</b>				



NAVY	<p><b>Concur with comments</b></p> <p>Enclosure 2, A. C17.1.8.3 para 3 Substantive</p> <p>Why is this different than what is the approved purpose and definition of what a PQDR is and/or used for as defined within DLMS 4000.25, Volume 2, Chapter 24 and ADC 1443A, Joint Service Regulation DLAR 4155.24 in that product quality deficiencies are failures or non-conformances with products that do not fulfill their expected purpose, operation, or service due to deficiencies in design, specification, materiel, manufacturing, and/or workmanship. There is a difference in fulfilling its "intended purpose" and "expected purpose, operation, or service due to deficiencies in design, specification, materiel, manufacturing, and/or workmanship".</p>	General Question	Jared Trinkaus jared.s.trinkaus.civ@us.navy.mi	Reject	There is no impact for this ADC 1446. The language is very similar and will be standardized across all references when policy is developed in PDC 1446A.
NAVY	<p>Enclosure 2, A. C17.1.8.3 para 3 Substantive</p> <p>Will FMS DRs be imported from JDRS / DLA or PDREP be the origination location for FMS PQDRs? PDREP is the only DLMs compliant system.</p>	General Question	Jared Trinkaus jared.s.trinkaus.civ@us.navy.mi	Reject	The specific system to be used to transmit PQDRs is future state. This is intentionally vague since the Services themselves will be deciding which AIS to use to report their PQDRs.
NAVY	<p>Enclosure 2, A. C17.1.8.3 para 3 Substantive</p>	General Question	Jared Trinkaus jared.s.trinkaus.civ@us.navy.mi	Reject	There is no need to have a special designation for PQDRs. The DoDAAC will be included in the 842P transaction so that in itself will identify them as FMS PQDRs.

	Should there be a designation that they are FMS PQDRs?				
NAVY	Enclosure 2, A. C17.1.8.3 para 3 Substantive  Will there be a need to limit systematically any correspondence: All communication regarding the status of the investigation by PQDR Action Point and Support Point personnel will be communicated directly with the ILCO	General Question	Jared Trinkaus jared.s.trinkaus.civ@us.navy.mi	Reject	There is no need to limit PQDR correspondence. The ILCOs will be both the Originating Point and the Screening Point for FMS/SA PQDRs. The ILCOs will decide how much information to communicate during the process especially when it comes to investigation results.
NAVY	Enclosure 2, A. C17.1.8.3 para 3 Substantive  Seeing the PDC focuses on ILOC processes where quality-related FMS SDRs will now be submitted as PQDRs via the DLMS 842P PQDR exchange. Not clear if this means that FMS has ONLY been submitting quality-related SDRs as SDRs? Are USAF and Army FMS "PQDRs" being submitted as SDRs?	General Question	Jared Trinkaus jared.s.trinkaus.civ@us.navy.mi	Reject	All the Services have been handling FMS PQDRs differently and this PDC is intended to standardize the process.
NAVY	Enclosure 1  Table 1 in Enclosure 1 of the PDC an entry for "Bulletins," Service is Navy: define "Bulletins". The WSS Bulletins do not specify critical/major. How does "Bulletins" get into SPRS?	General Question	Jared Trinkaus jared.s.trinkaus.civ@us.navy.mi	Reject	Table 1 was removed from the draft PDC before it was signed.
NAVY	Enclosure 1  Table 1 in Enclosure 1 of the PDC an entry for "GIDEP Alerts," Service is All, and there are Negative	General Question	Jared Trinkaus jared.s.trinkaus.civ@us.navy.mi	Reject	Table 1 was removed from the draft PDC before it was signed.

	weight values for critical/major/minor: define "GIDEP Alerts". Are these the GIDEP Alerts submitted by DLA centers only? Or all GIDEP Alerts from all sources? How do GIDEP Alerts get into SPRS?				
DCMA	<b>Concur - No formal response within the 30-day comment period.</b>				
USMC	<b>Concur - No formal response within the 30-day comment period.</b>				
USTRANSCOM	<b>Concur without comment. (No impact).</b>				
DAAS	<b>Concur without comment</b>		Diane Wood Army/GSA/DoDA AC Support Team DAAS Army/GSA/DoDA AC Support Team DAAS		

## Enclosure 2

### Revised DLM 4000.25, Volume 2, Chapter 17 Supply Discrepancy Reporting

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

*Preceding text not shown*

Chapter 17 Supply Discrepancy Reporting:

**14. A. C17.1.8.3. Product Quality Deficiency.** A product quality deficiency is a defective or non-conforming condition that limits or prohibits the item from fulfilling its intended purpose. These include deficiencies in design, specification, materiel, manufacturing, and workmanship. These are reportable on an SDR only by a Security Assistance (SA) customer. ***Upon full system programming of the DLMS 842P IC by the DoD PQDR processing applications, ILCOs will use information provided by the SA customer to submit PQDRs through those DLMS-compliant PQDR applications. Until then, SA customers will follow the procedures as outlined in this chapter.*** All others follow PQDR policy found in references 10.c and d.