



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

IN REPLY
REFER TO J627

March 16, 2011

MEMORANDUM FOR NAVY AND DLA SUPPLY AND FINANCE PROCESS REVIEW
COMMITTEE (PRC) MEMBERS

SUBJECT: Approved Defense Logistics Management System (DLMS) Change (ADC) 378, Revise DLMS 947I Inventory Adjustment to Identify Loss due to Destructive Test in Support of Navy-DLA BRAC SS&D/IMSP (Supply/Finance) (Staffed as PDC 405)

This change is approved for implementation. The updated DLMS Supplement will be posted to the DLA Logistics Management Standards Office Web site <http://www.dla.mil/j-6/dlmso/elibrary/TransFormats/formats.asp> within **10 days** from the above date for implementation planning. This change is required for an upcoming Defense Logistics Agency (DLA) and Navy system release to support Base Realignment and Closure (BRAC) Retail Supply, Storage and Distribution (SS&D) Inventory Management and Stock Positioning (IMSP).

DLA J33 will provide procedures for the Navy BRAC SS&D/IMSP processes for inclusion in DOD 4000.25-M, DLMS, Volume 2. Depending on DLA's approach, the overall procedures will either be published under a separate ADC as a chapter to the DLMS manual, or specific procedures for each process may be published as addendums to the various Navy BRAC SS&D/IMSP ADCs.

Addressees may direct questions to the Ms. Mary Jane Johnson, Supply PRC Co-chair, email: Mary.Jane.Johnson@dla.mil and Mr. Robert Hammond, Finance PRC Chair, email: Robert.Hammond@dla.mil. Others must contact their Component designated Supply PRC or Finance PRC representative.

DONALD C. PIPP

Director
DLA Logistics Management
Standards Office

Attachment

cc:
ODASD(SCI)
Joint Physical Inventory Working Group

ATTACHMENT TO ADC 378

Revise DLMS 947I Inventory Adjustment to Identify Loss due to Destructive Test in Support of Navy-DLA BRAC SS&D/IMSP (Supply/Finance) (Staffed as PDC 405)

1. ORIGINATOR:

- a. **Service/Agency:** Defense Logistics Agency
- b. **Originator:** DLA J-331, 703-325-1924 (DSN 427)

2. FUNCTIONAL AREA: Primary: Supply/Logistics; Finance

3. REFERENCES:

- a. Functional Requirements for DLA's implementation of the BRAC SS&D.
- b. DLMSO memorandum, July 1, 2010, subject: ADC 381, Procedures and Additional Data Content supporting Requisitions, Requisition Alerts, and Unit of Use Requirements under Navy BRAC SS&D/IMSP (Supply/Finance), <http://www.dla.mil/j-6/dlms/eLibrary/Changes/approved4.asp>
- c. AT&L Memorandum transmitted April 21, 2010, subject: Proposed Changes in support of Navy BRAC IMSP Spiral II. This memo documents ODASD(SCI) direction provided to DLA and Navy authorizing immediate implementation of this DLMS change

4. REQUESTED CHANGE: **Significant revisions subsequent to PDC 405 staffing are highlighted.**

a. **Description of Change:** This change request proposes adding a new Quantity or Status Adjustment Reason Code 'AP-Inventory Adjustment Decrease (Destructive Test).' for use on DLMS 947I Inventory Adjustment loss (MILSTRAP DI Code D9_ functionality), to indicate that the inventory adjustment loss is the result of material being destroyed in test.

b. **Background:** As a result of the 2005 BRAC decision, retail supply, storage and distribution functions and associated infrastructure supporting the Navy industrial/maintenance sites will transfer to DLA. The Navy sites consist of 2 Naval Shipyards (NSY) and 3 Fleet Readiness Centers (FRC). The intent of the directive is to significantly improve combat effectiveness while reducing costs by developing a world-class, cost-effective supply chain focused on readiness; taking every opportunity to eliminate waste, reduce touches, reduce cost, and improve readiness.

c. **Detailed Procedures:** NSYs and FRCs have inspection/testing requirements that are additional to those used currently by DLA. This testing often requires a portion of the items to be destroyed during testing to determine acceptability of an item. To provide for physical and financial inventory control, the following applies:

1) CURRENT DLA PROCESS FOR RECEIPT AND ACCEPTANCE. NOTE: This change does not alter the current DLA Distribution Standard System (DSS) process for receipt and acceptance of new procurement items. The inspection process addressed by this change involves post acceptance Navy technical inspection requirements.

2) **FRC.** At the FRC sites, the material will be issued on a funded requisition and testing will be done after the material is issued to Navy. If any deficiency is found, Navy will use the Product Quality Deficiency Report (PQDR) process for the total quantity deficient, or potentially deficient, to report any problems with the material.

3) **NSY**. At NSY sites, some materiel will require technical inspection in addition to visual inspection at time of receipt, i.e., prior to issue to the Navy and while the material is still under DLA ownership. This inspection requirement will be communicated through the 527D Prepositioned Material Receipt (PMR) transactions to the receiving DSS co-located industrial activity (IA) depot.¹ Upon receipt, the DLA DSS co-located IA depot will place the quantity in SCC ~~“Q”~~ “D” and the Navy quality assurance (QA) office will be contacted for the detailed inspection requirements. If through this inspection material is destroyed, DLA DSS co-located IA depot will process a 947I inventory adjustment loss and pass to DLA Enterprise Business System (EBS). The 947I Inventory Adjustment transaction will reflect the new Quantity or Status Adjustment Reason Code ‘AP-Inventory Adjustment Decrease (Destructive Test)’ and the quantity destroyed.

(a) DLA systems will track the destroyed inventory by the 947I Quantity or Status Adjustment Reason Code ‘AP’.

(b) Navy will reimburse DLA, via the MIPR process, for destroyed inventory that pass technical inspection on a scheduled basis (e.g., monthly, quarterly) and produce a line item report of inventory associated with the adjustment reason code. DLA will have the ability to provide line item detail for the total cost billed to Navy.

(c) If inventory passes technical inspection, any remaining quantity associated with this receipt will be moved to SCC ‘A’ condition.

(d) If inventory fails technical inspection, any remaining quantity associated with this receipt will be suspended allowing for litigation and contract resolution if applicable, through the PQDR process. Refer to DOD 4000.25-2-M, MILSTRAP, Chapters 4 (Receipt) and chapter 5 (Adjustments) for specific guidance on use of SCC Q (Suspended (Product Quality Deficiency)) and SCC L (Suspended (Litigation)). MILSTRAP/DLMS state that when inspection or technical/engineering analysis of material indicates that litigation action is required, the owner will direct transfer of the materiel to SCC L.

d. Revise DLMS 947I as follows. Update to version 4030 is shown; corresponding update will be made to version 4010. [NOTE: For item unique identification (IUID) capability, 947I version 4030 must be implemented. All new implementations should use 947I version 4030.]:

Item #	Location Version 4030	DS 947I Inventory Adjustment (Table Locations address 947I version 4030, corresponding changes being made to version 4010)	Reason
1.	DLMS Introductory Notes	<u>Add ADC 378 to Intro note for PDCs/ADCs:</u> - ADC 378, Revise DLMS 947I Inventory Adjustment to Identify Loss due to Destructive Test in Support of Navy-DLA BRAC SS&D/IMSP (Supply/Finance).	To identify DLMS changes included in the DS.
2.	2/W1901/0200	<u>Add new qualifier ‘AP’ with DLMS note:</u> AP Product/Formula Evaluation and Testing DLMS Note: <i>Inventory Adjustment Decrease (Destructive Test). Loss from destructive test, single adjustment. Authorized DLMS enhancement for DLA industrial activity support agreement only; see introductory DLMS note 4e. Refer to ADC 378.</i>	To accommodate Navy-DLA BRAC SS&D/IMSP requirement to identify an inventory adjustment loss that is the result of destructive test.

¹ ADC 381 (reference 3b) adds an ‘Inspection Parameters Code’ to several DLMS Supplements (DS) to include DS 527D.

e. Revise the table for ‘Correlation of MILSTRAP DI Code Functionality to DLMS Supplements (DS)’ (DS Sequence) to add code ‘AP’ as shown below (change is identified by *red bold italics*). Table is available at: <http://www.dla.mil/j-6/dlms/eApplications/LogDataAdmin/dlssdlmscrossreftable.asp>.

DS #	DLMS Supplement Title	DI Code(s)	DS Accredited Standards Committee (ASC) X12 Functional Equivalent to MILSTRAP DI Code																													
			Beginning Segment	Additional Information needed																												
947I	Inventory Adjustments	D8_, D9_	1/W1505/0200 Transaction Type Code NU – Inventory Adjustment	For Increase (D8_) use 2/W1916/0200 Inventory Transaction Type Code AJ -Inventory Adjustment Increase For Decrease (D9_) use 2/W1916/0200 Inventory Transaction Type Code AD-Inventory Adjustment Decrease 2/W1901/0200 “Quantity or Status Adjustment Reason Code” = equivalent to 3 rd position DI Code: <table border="0"> <thead> <tr> <th><u>3rd Pos</u></th> <th><u>W1901 Code</u></th> </tr> </thead> <tbody> <tr><td>D8A or D9A</td><td>AA</td></tr> <tr><td>D8B or D9B</td><td>AB</td></tr> <tr><td>D8C or D9C</td><td>AC</td></tr> <tr><td>D8D or D9D</td><td>AD</td></tr> <tr><td>D8E or D9E</td><td>AK</td></tr> <tr><td>D8F or D9F</td><td>AL</td></tr> <tr><td>D9G only</td><td>AJ</td></tr> <tr><td>D9H only</td><td>AI</td></tr> <tr><td>D8J or D9J</td><td>AE</td></tr> <tr><td>D8K or D9K</td><td>AF or AN</td></tr> <tr><td>D8S or D9S</td><td>AG</td></tr> <tr><td>D8Z or D9Z</td><td>AH</td></tr> <tr><td>-----NA-----</td><td><i>AP</i></td></tr> </tbody> </table>	<u>3rd Pos</u>	<u>W1901 Code</u>	D8A or D9A	AA	D8B or D9B	AB	D8C or D9C	AC	D8D or D9D	AD	D8E or D9E	AK	D8F or D9F	AL	D9G only	AJ	D9H only	AI	D8J or D9J	AE	D8K or D9K	AF or AN	D8S or D9S	AG	D8Z or D9Z	AH	-----NA-----	<i>AP</i>
<u>3rd Pos</u>	<u>W1901 Code</u>																															
D8A or D9A	AA																															
D8B or D9B	AB																															
D8C or D9C	AC																															
D8D or D9D	AD																															
D8E or D9E	AK																															
D8F or D9F	AL																															
D9G only	AJ																															
D9H only	AI																															
D8J or D9J	AE																															
D8K or D9K	AF or AN																															
D8S or D9S	AG																															
D8Z or D9Z	AH																															
-----NA-----	<i>AP</i>																															

5. DEFENSE AUTOMATIC ADDRESSING SYSTEM (DAAS) Mapping: Update DAAS to allow new data to pass any applicable edits.

6. ALTERNATIVES: None identified.

7. REASON FOR CHANGE: DLA requires ability to identify inventory losses as the result of destructive testing to provide line item detail as well as total cost to the NSY on a scheduled basis. This code will be used by the DLA DSS co-located IA depot at the BRAC NSY sites. The BRAC FRC sites, having much shorter product production times than NSYs, must where possible bill an actual customer directly, obtaining and applying defective credits as they occur and avoiding increased indirect rates shared across all fleet customers.

8. ADVANTAGES AND DISADVANTAGES:

a. Advantages: Enable DLA to have visibility of all material destroyed during destructive testing as the result of Navy requirements and receive reimbursement from the Navy via the MIPR process accordingly.

b. Disadvantages: None identified.

9. ESTIMATED TIME LINE/IMPLEMENTATION TARGET: Target implementation was Dec 2010.

10. IMPACT:

a. Publications. Requires update to DLMS 947I and DLMS Data Dictionary Quantity or Status Adjustment Reason Code to add new code value.

b. Automated Information Systems (AIS): DLA EBS, DLA DSS, and applicable Navy systems must recognize/process a new code value.

c. DLMS Data Elements: No DLMS data elements are being added by this change. This change proposes revision of the DLMS use of ASC X12 data element ID 181 (Quantity or Status Adjustment Reason Code), to authorize use of existing ASC X12 value 'AP' in DLMS 947I W1901.

11. PDC 405 COMMENTS AND RESPONSES are at the enclosure.

ENCLOSURE TO ADC 378

Revise DLMS 947I Inventory Adjustment to Identify Loss due to Destructive Test in Support of Navy-DLA BRAC SS&D/IMSP (Supply/Finance) (Staffed as PDC 405)

PDC 405 COMMENTS AND RESPONSES:

#	COMPONENT	COMMENT	RESPONSE
1	DLA	Concur.	Noted.
2	USN	Concurs as written and submits no additional changes or amendments.	Noted.
3	USAF	Concurs without comment.	Noted.
4	USMC	Concur without comment	Noted.
5	DFAS Columbus	I see where the charges are going to be collected via MIPR. Is there a reason for this vice using the Interfund Billing System? ----- Based on that input this will have minimal impact to A/R right?	DLA J-89 RESPONSE: Being done via MIPR because volume is low, dollars are low (less than \$100K as I recall) and there won't be a MILS document with the agreed upon reimbursement amount. When to reimburse and how much to reimburse will be a manual process. ----- Yes.
6	Contractor support to UID Program Office and BTA WAWF Program (J Craig)	I believe the material covered by the PDC might cover both items with UIIs and items without UIIs--however I am not sure about the without UIIs if the items are such that they require destructive testing and thereby probably some item control by the each or within lot/batch at a minimum. I believe some items in this destructive test scenario may actually be equipment items such as a weapon or munitions lot--but I am not sure.	DLA J33 IMSP Team Lead (A.Spry) RESPONSE: These are items are consumable items. DLA will not be purchasing equipment, weapons or munitions for NSY sites.
7	Contractor support to UID Program Office and BTA WAWF Program (J Craig) 11/5/2010 comment	RE: RESPONSE at row 6 above: Some of these items will be spares/reparables, etc and while "consumables" will still be IUID-relevant. While this ADC does not address any updates to the IUID Registry for IUID items, we assume that will be covered in a later ADC to be developed following the workshops on IUID in the Supply Chain.	DLA Logistics Management Standards Office Response: PDCs/ADCs developed as a result of the SCI Logistics IUID Workshops held in 2010-2011, will focus on requirements for conveying IUID in DLMS transactions/business processes (e.g., inventory, receipt, shipment status). The focus will <u>not</u> be the IUID Registry. A separate PDC/ADC to address IUID registry requirements may be necessary. The proponent for the IUID Registry may want to leverage the ADCs that result from the IUID Workshops to identify which DLMS transactions the IUID registry requires, if they envision using DLMS transactions for that purpose; and to develop a PDC to address those requirement to include, but not limited to, what transactions the registry requires and does the registry want DAAS to provide the images, criteria for when to provide images, etc.

#	COMPONENT	COMMENT	RESPONSE
8	Contractor support to UID Program Office and BTA WAWF Program (JCraig)	<p>I assume before the material in this scenario is transferred from DLA to Navy for testing, that the material will be accepted by DLA and WAWF updated--is this correct? Or is this testing in support of Inspection and Acceptance of new material? I ask because I am trying to determine the possible impacts on WAWF and the IUID Registry/GFP Hub.</p> <p>If all the material will be accepted prior to issue to Navy for testing, then the IUID-relevant material will be included in the Registry.</p>	<p><u>DLA J33 IMSP Team Lead (A.Spry):</u> When material requires inspection at the Shipyard the material will be received directly into condition code 'D' prior to inspection or acceptance.</p> <p><u>JIM CRAIG COMMENT 11/5/2010:</u> Not sure if this answers how WAWF will be updated—see comments to 4c1 and 3 [this table rows 11 and 13 below].</p> <p><u>DLA Logistics Management Standards Office:</u> Our understanding, based on post-CDR IMSP Team meetings, is that when the Navy QA inspection criteria is not a contractual requirement, then the materiel will be received in SCC D to EBS and acceptance sent to WAWF based on the normal DSS receipt/acceptance process criteria. Subsequently, the materiel will undergo the Navy QA inspection process and will be 947I/DAC to SCC A, L, Q or K as appropriate.</p>
9	Logistics Mgt Stds Office (E Hilert)	<p><u>ELLEN HILERT:</u> Annette, in addition, the question from Jim Craig, DPAP WAWF/IUID contractor support specifically asked if testing was in support of Inspection and Acceptance of new materiel...</p> <p>I believe that the DLA response needs to clarify the process to separate how it would work for:</p> <p>(1) Navy QA inspection requirement (which we understand to be performed after acceptance while materiel is in SCC D)</p> <p>(2) Contract-required destination inspection/acceptance (which we understand would require inspection prior to acceptance - not sure if this scenario was spelled out in recent discussions - assuming there could be a combination of both contract-required inspection for acceptance followed by QA inspection)</p>	<p><u>DLA J33 (A. Spry):</u> I attempted to document current process for destination acceptance [page 1, paragraph 4.c.1.a.]. This will not change at the BRAC SS&D sites, the material will be put in SCC 'L' as it is done today. When litigation is resolved DSS will generate a DAC to move material from SCC L to applicable condition code. Or it may be returned to the vendor for replacement, etc.</p>
10	Contractor support to UID Program Office and BTA WAWF Program (J Craig)	<p>This PDC includes a comment about using the 4030 947 in order to be able to include the UIIs; however, there is no guidance in this PDC about updating the registry for the "tested and possibly destroyed property"-- should this guidance be included in this PDC? Or is there a PDC to cover this process?</p>	<p><u>DLA Logistics Management Standards Office:</u> This change does not address IUID registry requirements. Further, no requirement to update the IUID registry with 947I transaction has been identified. Such a requirement would need to be submitted to the DLA Log Mgmt Stds Office as a separate PDC.</p> <p>The comment on 947I version 4030 is standard language for any PDC related to 947I to alert that</p>

#	COMPONENT	COMMENT	RESPONSE
			IUID capability is ONLY available in 947I version 4030, and to advise that any new system implementations should use version 4030, not version 4010. Systems that previously implemented 947I version 4010 must migrate to version 4030 to implement IUID.
11	Contractor support to UID Office and BTA WAWF Program (J Craig) 11/5/2010	<p><u>RE: Page 1, Para 4.c.1): “Current DLA process: When material requires visual inspection upon receipt based on contractual agreements current process will be used to place material in Supply Condition Code (SCC) ‘L’. Upon acceptance DSS will process a DLMS, 947I/DAC transaction moving material.”</u></p> <p><u>COMMENT:</u> What will DSS send to WAWF? And when? At this point WAWF can ONLY accept one response from DSS per item—cannot initially report as “L” and later change to “accepted.” If the inspection/testing is going to be done before a decision on acceptance or rejection of the items, then DSS must NOT send anything to WAWF until final decision is made. We must remember that the Vendor’s payment is impacted awaiting acceptance.</p>	<u>DLA Response (J.Weiner/DLAJ6N/email 11/5/2010):</u> All WAWF requirements as well as IUID requirements are non issues. The current process is what DLA does today, the other WAWF comments are what we designed to do to allow this process to work, and was approved. The IUID functionality in DSS will not change from what we do today.
12	Contractor support to UID Office and BTA WAWF Program (J Craig) 11/5/2010	<p><u>RE: Page 1, Para 4.c.2): “FRC. At the FRC sites the material will be issued on a funded requisition and testing will be done after the materiel is issued to Navy. If any deficiency is found, Navy will use the Product Quality Deficiency Report (PQDR) process for the total quantity deficient, or potentially deficient, to report any problems with the material.”</u> <u>COMMENT:</u> I assume this means that the property will first be accepted into DSS and WAWF updated accordingly and allow the vendor to be paid. Then the property will be issued to the FRC for testing. If yes, then this is OK.</p>	The materiel will be receipted in SCC D to EBS and acceptance sent to WAWF based on the normal DSS receipt/acceptance process criteria. Subsequently, the materiel will undergo the Navy QA inspection process and an Inventory Adjustment-Dual SCC Change (947I/DAC) will be processed to change the appropriate SCC (e.g., SCC A, Q, etc.). A.Spry - 3/8/2011 – concur with the above receipt process
13	Contractor support to UID Office and BTA WAWF Program (J Craig) 11/5/2010	<p><u>RE: Page 2, Para 4.c.3), 1st sentence: “NSY. At NSY sites material will be inspected at time of receipt, i.e., prior to issue to the Navy and while the material is still under DLA ownership.”</u></p> <p><u>COMMENT:</u> Does the statement “DLA ownership” mean DSS will report acceptance back to WAWF prior to inspection? If yes, then this is OK. If not, then the comments in 1) above apply here as well.</p>	Yes – DSS would report this to WAWF when receipted into condition code ‘D’ – also allows EBS to pay vendor as applicable. A.Spry - 3/8/2011