



DEFENSE LOGISTICS AGENCY
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IN REPLY
REFER TO J627

April 06, 2011

MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE MEMBERS

SUBJECT: Approved Defense Logistics Management System (DLMS) Change (ADC) 418,
Advice Code 2W for Free Issue (MILSTRIP/Supply) (Staffed as PDC 428)

The attached change to DoD 4000.25-1-M, Military Standard Requisitioning and Issue Procedures (MILSTRIP) and DoD 4000.25-M, Defense Logistics Management System (DLMS) is approved for implementation effective immediately.

Addressees may direct questions to Ms. Ellen Hilert, Chair, Supply Process Review Committee, 703-767-0676, DSN 427-0676, or e-mail: ellen.hilert@dla.mil. Others must contact their Component designated Supply Process Review Committee representative.

A handwritten signature in dark ink, appearing to read "Donald C. Pipp".

DONALD C. PIPP

Director

Defense Logistics Management Standards

Attachment
ADC 418

cc:
ODASD(SCI)
Finance PRC

ADC 418

Advice Code 2W for Free Issue

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION: NAVSUP-E, 717-605-7047

2. FUNCTIONAL AREA:

- a. **Primary/Secondary Functional Area:** Primary Supply/Logistics
- b. **Primary/Secondary Functional Process:** Order Fulfillment/Requisition Processing

3. BACKGROUND: **Staffing Note:** Subsequent to staffing, this change was modified to authorize use by the Marine Corps.

a. Intent of the request:

(1) To modify the definition and usage of Advice Code 2W restricting to Navy and Marine Corps only. Under MILSTRIP, this code was originally authorized for FMS customers only. However, DAAS history from 2007 to present shows no Security Assistance requisitions citing Advice Code 2W. Army customers appear to be using the code (plus USCG requisition in 2007). All Components (including International Logistics Control Offices (ILCOs) and the Defense Security Cooperation Agency (DSCA) were asked to verify if there is a continued requirement for the use of Advice Code 2W for Military Assistance Program/Military Assistance Service Funded (MAP/ MASF).

(2) **Intra-Navy/Marine Corps and Navy/DLA interface under BRAC IMSP:** To authorize Navy use of existing Advice Code 2W to identify internal customer requisitions which are only to be satisfied through Navy-owned residual end-use assets managed under Navy ERP (Routing Identifier NRP). This will require expanding the definition of Advice Code 2W as published in DoD 4000.25-1-M, MILSTRIP.

b. Scenario for which the transaction is used: Navy and Marine Corps customers often desire to obtain material from end-use residual inventories. Because it is re-utilization of material already owned by the end-use organization (i.e. procured with operating funds), there is no billing involved when the material is redistributed to another operating unit. In Navy's legacy Real-Time Reutilization Asset Management system (RRAM), all the material in the system is in this residual end-use category, and a traditional 5K Fill-or-Kill Advice Code requisition can and will only issue non-billed material. When these inventories are converted to Navy ERP, they will reside on the same inventory management system as Navy Working Capital Fund (NWCF) material, for which the customer is charged. Use of the 2W Advice Code will allow Navy ERP's sourcing tool to recognize such requirements and to restrict sourcing to the end-use (i.e. free issue) inventories.

c. Procedures, transactions, data elements, processing details in use today: 5K Advice Code requisitions are submitted to the Routing Identifier "RAM", which is the Navy's (RRAM) system. Because this is a self-contained system, any such requisitions not filled by RRAM are canceled with Status Code CB.

4. PROPOSED CHANGE(S):

a. Requested change in detail: Authorize Navy and Marine Corps use of Advice Code 2W for requisitions using Routing Identifier “NRP” (Navy ERP) to identify internal customer (i.e. Navy/Marine Corps activities) requisitions which are only to be satisfied through Navy-owned residual end-use assets managed under Navy ERP. DoD 4000.25-1-M currently contains the following definition for this advice code:

“This requisition is submitted for free issue of assets above the AFAO¹ on a fill or kill basis. (Applicable to MAP/MASF requisitions only.)”

The definition will be reworded to include the highlighted text:

“This requisition is submitted for free issue of *Navy General Fund material for Navy or Marine Corps authorized customers on a free fill or kill basis (partial fill allowed/no backorders).*”

b. Procedures: Authorized Navy customers are to use Advice Code 2W on requisitions for those situations where only free issue material is desired.

c. Alternatives: MILSTRIP Alternative identified in the PDC. Use existing MILSTRIP constructs to achieve the desired business process without using an advice code. Introducing the requirement for an advice code results in disadvantages identified below. The rules for requisition processing would work something like this:

(a) The Navy customer requesting free issue/fill or kill would use Signal Code D or M (free issue signal codes) when submitting requisitions to NRP for free issue materiel. Navy ERP would process requisitions coded for free issue on a free fill or kill basis.

(b) If the Navy customer submits a requisition to NRP with other than signal code D or M, free issue (RRAM) screening would be applied for those activities authorized to receive free issue materiel. If materiel is available from RRAM, Supply Status BN would be provided.² If free issue materiel is not available, the standard requisitioning processing for interfund billing would apply based upon Signal Code/transaction content.

(c) DLA requisitioning Navy materiel for NSY under DLA BRAC agreement, would use standard signal code, RRAM would recognize NSY as authorized for free issue and would process as free issue if materiel is available, providing BN status. Otherwise NRP would fill for interfund billing based upon Signal Code/transaction content.

(d) DLA requisitioning non-Navy materiel for NSY would code as free issue with Signal Code M. If not available as free issue, CM status would be provided.

5. REASON FOR CHANGE: As a result of a 2005 BRAC decision, retail Supply, Storage, and Distribution (SS&D) functions and associated infrastructure supporting the Navy industrial/maintenance sites will transfer to DLA. The Navy sites consist of two Naval Shipyards (NSYs) and three Fleet Readiness Centers (FRCs), and two more NSYs were added

¹ Approved Force Acquisition Objective

² MILSTRIP BN status: “Requisition being processed as free issue. Signal and fund code fields corrected as noted. Adjust local fund obligation records.”

via the “Wynne Memo”. 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.

The business process in place at NSYs prior to implementing BRAC changes allows shipyard material requirements to screen Navy End-Use material managed under Navy’s Real-time Reutilization Management System (RRAM). Reutilization of this material without having to purchase it from the wholesale Supply System saves Navy approximately \$2M per year in operating funds. In legacy RRAM, NSYs are able to submit requisitions using Navy Advice Code 5K (Fill-or-Kill). And because RRAM is a stove-piped system, only “free-issue” residual inventories are screened for sourcing. If free-issue material is not available, the requisition is “killed” in RRAM, status sent back to the NSY via DAAS, and the NSY is able to pursue alternate sourcing options, including use of material already on-site but staged for other NSY planned workload.

In May 2011, the RRAM inventories will be converted to the Navy ERP Release 1.1 Single Supply Solution. ERP will be unable to restrict sourcing to only the formerly RRAM “free issue” material via use of the 5K Advice Code – if no RRAM material is found, ERP will continue sourcing to Navy Working Capital Fund (NWCF) inventories managed within ERP, for which the NSY will be charged prior to being able to pursue alternate sourcing options. The “kill” function would only prevent ERP from referring the requirement to another wholesale item manager.

If the NSY or other Navy customers were authorized to use the existing 2W Advice Code to identify a Free-Issue *Only* Fill-or-Kill requirement, Navy ERP could be configured to restrict sourcing to *only* those formerly RRAM inventories and prevent “selling” of NWCF material to the NSY.

6. ADVANTAGES AND DISADVANTAGES:

a. Advantages (tangible/intangible): Retain Navy savings of ~\$2M per year.

b. Disadvantages:

(1) Bypasses existing procedures to establish a new methodology for identification of a free issue requisition.

(2) Creates a situation where the requisition will be constructed with conflicting data (if reflecting other than Signal Code D or M while citing Advice Code 2W).

(3) Only one advice code may be included in a requisition. If the Advice Code 2W is required, other applicable advice codes will not be identified.

7. ADDITIONAL COMMENTS TO CONSIDER: Using Navy Requisitioner data, NAVSUP and DLA Transaction Services (formerly DAASC) conducted a test on the DAAS testing platform to determine if there were any 2W Advice Code edits/validations which would require modification if this change were approved. The test indicated no such edit or validation was in place and no modification would be required for Navy to use the 2W Advice Code.

8. JUSTIFICATION FOR PROPOSED METHODOLOGY: Navy Response to MILSTRIP Alternative: PDC 385³ is specific to IMSP requirements driven by BRAC SS&D, however Navy Fleet customers were requesting the same "Free Issue Fill-or-Kill" capability as well. Those Fleet customers are not covered by the IMSP design and have the following characteristics which led the Navy to an Advice Code approach:

a. For most material requirements, RRAM free issue material is screened as a matter of course and the customer has no idea if they will receive material for free or be charged for it when the requirement is initiated. Therefore they obligate funds automatically at time of requisition creation, universally. Their IT systems integrate financial and logistic functionality, and don't offer an option to NOT obligate funds and assign Signal Code D or M (No billing required), however they do offer the option of assigning Advice Codes. For those relatively rare occasions when they ONLY want the material if it is available for free, they follow this same approach but modify the requisition to go directly to the RRAM RIC ("RAM") with Advice Code 5K. As the PDC describes, this approach will no longer be available under Navy ERP - the RIC-To recipient and Advice Codes can be adjusted by customers, but Signal Codes cannot.

b. Since the inception of RRAM in 1995, the BN Status Code has been used to indicate material was being issued for free. RRAM does NOT adjust the Signal Code to D or M, but perpetuates whatever was on the incoming MILSTRIP A0_. It is at THIS point (i.e. not at requisition creation) that the requisitioner's system receives indication not to expect billing and funds are de-obligated - driven by the BN, not by a Signal Code change.

c. There are 7 different AISs used by the Fleet, in various phases of being sunset or newly implemented. One of the reasons there are so many different systems is because upgrades requiring hardware changes are multi-year funded, and the opportunity to get a ship in-port, and in an industrial availability to accomplish those upgrades can take a long time. In short, they can't all be funded to get the new systems in a short time span, and they can't all fit in the shipyard (if required) to get the upgrades at the same time. Those older systems being sunset are usually blacked out for IT changes, and those being newly implemented have a huge list of required changes and bug fixes extending out several years. To change Signal Code behavior in Navy's multiple afloat systems for this requirement would be impossible for some systems and be a long time coming for others. These systems all behave the same today with regard to the BN status code and subsequent funds de-obligation.

d. Expanding on the point above, those 7 AISs are individual standalone instances, installed across over 300 ships and activities. IT changes must be individually installed at each site, often requiring tiger team visits. This means even approved, funded, coded, and tested changes cannot be implemented for all sites in a timely fashion. However, use of the 2W Advice Code for this requirement is a simple table change that can be accomplished locally at each site via simple transmittal, whereas any change to modify Signal Code behavior for this requirement would be part of some larger upgrade, which in some cases only come with hardware upgrades during a ship's industrial availability.

e. The Navy ERP order fulfillment edits & validation logic already keys on advice code 5K for making Fill-or-Kill sourcing decisions. So, basically, for the Free Issue Fill-or-Kill

³ PDC 385, Procedures and Assignment of Navy DODAACs to DLA for Use on DLA Requisitions to Military Service/GSA Sources of Supply (SoSs) in Support of Navy Industrial Activities (IAs) under BRAC SS&D/IMSP, dated April 15, 2010, includes processing rules for RRAM.

requirement the Navy can essentially "clone" the 5K logic and modify it to only source from a known universe of Free Issue sites in ERP by keying on another unique Advice Code. The 2W already exists and meets the definition of Free Issue Fill-or-Kill without reference to Signal Codes and only needs a documentation change. In contrast, the SAP Global Available To Promise (GATP) module used by Navy ERP keys on Signal Code only for Billing purposes under the current design. Modifying it to be a key for Sourcing logic as well as Billing logic would be a much more extensive, costly, and time-consuming change than going the Advice Code route. This Advice Code logic would work in ERP regardless of which Signal Code the customer uses, so IMSP would still work as designed.

9. NOTE ANY REGULATIONS OR GUIDANCE:

a. DoD 4000.25-1-M.

b. May require update to documentation for the Navy/DLA BRAC interface.⁴ Under the originally proposed/approved procedures, the Signal Code is the determining factor for fill or kill free issue material within Navy ERP.

10. ADDITIONAL FUNCTIONAL REQUIREMENTS:

a. Supply Status BN. Under this proposal Advice Code 2W will be used with a signal code other than D or M. However, when returning Supply Status BN under MILSTRIP, the source of supply satisfying the requisition for free issue shall update the signal code/fund code appropriately. The MILSTRIP definition of BN status specifically requires updating the customer provided signal code and fund code entries: "Requisition being processed as free issue. Signal and fund code fields corrected as noted. Adjust local fund obligation records."

b. Partial Fill. The Navy provided the following information regarding partial issues for free issue fill-or-kill: RRAM does this today by issuing BN status with an "A" Suffix Code for the filled portion, and BQ status with a "B" suffix for the unfilled portion. Navy ERP behaves the same, but uses the CB Status Code for the unfilled portion.

11. ESTIMATED TIME LINE/IMPLEMENTATION TARGET: May 2011

12. ESTIMATED SAVINGS/COST AVOIDANCE ASSOCIATED WITH IMPLEMENTATION OF THIS CHANGE: Approximately \$2M per year.

13. IMPACT:

a. New DLMS Data Elements: None

b. Changes to DLMS Data Elements: Advice Code definition updated.

c. Policy: Requires variation from existing MILSTRIP/DLMS procedures.

⁴ ADC 368, Procedures and Assignment of Navy DODAACs to DLA for Use on DLA Requisitions to Military Service/GSA Sources of Supply (SoSs) in Support of Navy Industrial Activities (IAs) under BRAC SS&D/IMSP (Staffed as PDC 385)

Enclosure, Comment Resolution

	Submitter	Comment	Response.
1.	Army	<p>Army concurs with PDC 428 DLMS Advice Code 2W for Navy Free Issue.</p> <p>CASCOM, Enterprise Systems Directorate (ESD) reviewed PDC 428 with the following comment:</p> <ol style="list-style-type: none"> 1. We have no issue with the Navy's use of 2W for free issue. However, we recommend this PDC not authorize Advice Code 2W for Army use as suggested in PDC 428, paragraph 3, Staffing Note 2: "Army to provide business rules for use so above definition can be expanded to cover Army requirements." 2. Our supply and financial systems do not recognize 2W advice code. 3. CASCOM recognizes the need to accommodate issue of material without charge to a command's budget. <p>According to CASCOM our supply and financial systems do not recognize 2W advice code.</p> <p>Review of USASAC's CISIL database revealed that the use of advise code 2W was nonexistent . We (Army) do not instruct anyone to use requisition Advice Code 2W to designate a free issue requisition. The user inputs Signal Code 'M' with Fund Code 'GE' to designate a free issue requisition. For the old Grant Aid free issue requisitions, the signal code was 'D' and the fund code was 'GD'.</p>	Noted.
2.	Navy	The Navy has no additional comments for this PDC that we submitted and we look forward to this being sent out soon as an approved DLMS change.	Noted.
3.	Air Force	The Air Force concurs with PDC 428 w/o comments.	Noted.
4.	Marine Corps	Subsequent to our submission of a CONCUR to PDC 428 (Navy use of Advice Code 2W), we (HQMC) contacted OPNAV through our office of Naval Logistics Integration to determine if this PDC applied to Marine Corps units who wished to requisition residual inventory from Navy units.	<p>OPNAV confirmed revised wording to reflect that USMC units are authorized RRAM customers:</p> <p>"This requisition is submitted for</p>

			free issue of Navy General Fund material for Navy or Marine Corps authorized customers on a free fill or kill basis (partial fill allowed/no backorders)."
5.	DLA	DLA concurs	Noted.
6.	DSCA	Concurs	Noted.