



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

IN REPLY
REFER TO

DLMSO

January 21, 2004

MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE (PRC) MEMBERS

SUBJECT: Revised Joint Approved MILS Change (AMCLs) 10 (MILSTRAP) and 34 (MILSTRIP), Identification of Product Quality Deficiency Report (PQDR) Material (Supply/MILSTRIP/MILSTRAP)

The attached change to DOD 4000.25-1-M, Military Standard Requisitioning and Issue Procedures (MILSTRIP), DOD 4000.25-2-M, Military Standard Reporting and Accounting Procedures (MILSTRAP), and DOD 4000.25-M, Defense Logistics Management System (DLMS), is approved for implementation. Staggered implementation is authorized beginning July 2004. DRMS will be able to accept disposal actions under Supply Condition Code (SCC) Q for initial implementation, but will not be able to process associated management codes. **Therefore, for initial implementation, all material sent to the DRMS for disposal in SCC Q will be mutilated.** DRMS estimates that their programs will be upgraded to accept management codes approximately March-September 2005. The Components must identify to DLMSO anticipated implementation dates as they become available. Components may not begin using SCC Q on an inter-Component basis without prior coordination.

Procedures associated with this approved change have been incorporated in the DOD 4000.25-M, DLMS, Volume 2, based upon the original AMCL. This publication will be updated to reflect the revisions contained in the attachment. MILSTRIP and MILSTRAP manuals will be updated to reflect the planned implementation date and DRMS interim procedures. Revisions are indicated by bold italics. Highlighted bold italics identify revisions approved after the Request for Implementation Date (RFID) was published (August 26, 1998).

Addressees may direct questions to the DLMSO points of contact, Ms. Ellen Hilert, Chair, Supply Process Review Committee, 703-767-0676, DSN 427, or e-mail: ellen.hilert@dla.mil; Ms. Vermella Saváge, DOD MILSTRIP System Administrator, 703-767-0674, DSN 427, or e-mail: vermella.savage@dla.mil; or Ms. Mary Jane Johnson, DOD MILSTRAP System Administrator, 703-767-0677, DSN 427, or e-mail: mary.jane.johnson@dla.mil. Others must contact their Component designated representative.


JAMES A. JOHNSON

Director
Defense Logistics Management
Standards Office

Attachment

cc:
ADUSD(L)SCI
DOD PQDR Administrator
DRMS Demil Business Unit/DRMS CA
Finance PRC Chair
LMI

**JOINT APPROVED MILS CHANGE LETTERS (AMCLS)
10 (MILSTRAP) AND 34 (MILSTRIP)**

**IDENTIFICATION OF PRODUCT QUALITY DEFICIENCY
RELATED (PQDR) MATERIEL**

1. References:

- a. DOD 4000.25-2-M, September 19, 2001, Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP), as amended
- b. DOD 4000.25-1-M, November 8, 2000, Military Standard Requisitioning and Issue Procedures (MILSTRIP), as amended
- c. AMCSM-PDA letter, July 28, 1987, subject: Proposed Change to MILSTRAP, Expanded Use of Supply Condition Code Q
- d. DLSSO-BT letter, December 9, 1987, subject: Proposed MILSTRAP Change Letter (PMCL) 1, Inter-Service/Agency Use of Supply Condition Code Q
- e. DLSSO-BT letter, July 11, 1988, subject: DOD MILSTRAP Focal Point Committee Meeting FY 88-2
- f. DLSSO-BT letter, August 19, 1987, subject: Proposed MILSTRAP Change Letter (PMCL) 116, Supply Condition Code U to Identify Deficient Materiel
- g. DLA-OS letter, September 25, 1985, subject: Request for Change to MILSTRAP - New Condition Code "U" to Identify Nonconforming Materiel
- h. DOD 4160.21-M, March 1990, Defense Reutilization and Marketing Manual
- i. Decisions of the Comptroller General, 43 Comp Gen 15, B-150468, subject: Sales - Conditions Reducing Price - Propriety; to the Director, Defense Supply Agency, July 2, 1963
- j. DLSSD-BT letter, October 31, 1988, Proposed MILSTRAP Change Letter (PMCL) 1A, Inter-Service/Agency Use

of Supply Condition Code Q to Identify Product Quality
Deficiency Related Materiel

k. DLA-OSC letter, January 29, 1990, subject:
Restriction on Product Quality Deficient Materiel to the
Federal Government

l. Telephone conversations, July 12 and 19, 1990,
between Ms. M.J. Johnson (DLSSD-BT) and the Service/Agency
MILSTRAP Focal Point Representatives

m. Federal Acquisition Regulation, April 1, 1984, as
amended

n. DLSSO-CB letter, September 26, 1988, subject:
Approved MILSBILLS Change Letter (AMCL) 45, Adjustments for
Product Quality Deficiency Reports (PQDRs) (NOTAL)

o. DLAI 4155.24/AR 702-7/SECNAVINST 4855.5B/AFI 21-
115, May 1, 1997, Product Quality Deficiency Report Program

p. DOD Disposal Program Improvement Study, May 1986,
Logistics Systems Analysis Office (LSAO)

q. DOD OIG(I) Final Report, December 24, 1985,
subject: Inspection of the Defense Reutilization and
Marketing Service (DRMS)

r. DASD(L/SD) memorandum, April 8, 1987, subject:
Condition Codes (NOTAL)

s. AMC-R 700-99/NAVSUPINST 4790.7/AFLCR 400.21/MCO
P441022C, April 27, 1990, Wholesale Inventory Management
and Logistics Support of MultiService Used Nonconsumable
Items

t. DOD 4140.26-M, January 1992, Defense Integrated
Materiel Management Manual for Consumable Items

**u. DLMSO memorandum, August 26, 1998, Request for a
Revised Implementation Date for Joint Approved MILS Change
Letters (AMCLs) 10 (MILSTRAP) and 34)(MILSTRIP),
Identification of Product Quality Deficiency Related
Materiel**

**V. Meeting/Teleconference: October 24, 2002 at
McNamara HQC with DOD MILSTRAP Administrator, DOD MILSTRIP**

Administrator, DOD Supply Process Review Committee Chair, DOD PQDR Administrator, DLA-J333, and DRMS personnel in attendance

w. DRMS-BD memorandum, February 23, 2003, subject: DLA Implementation for Federal Supply Condition Code (SCC)
Q

x. Meeting/Teleconference: April 14, 2003 at McNamara HQC with DOD MILSTRAP Administrator, DOD Supply PRC Chair, DOD PQDR Administrator, DLA-DG, DLA J-333, and DRMS personnel in attendance

y. DOD 4140.1-R, May 23, 2003, DOD Supply Chain Materiel Management Regulation

z. DLMSO memorandum, December 15, 2003, DLMS Supply PRC Meeting 03-3, December 3-4, 2003

2. Change Concept/Rationale:

a. Concept. Revise MILSTRAP (reference 1a) and MILSTRIP (reference 1b) to:

(1) Provide a standard means of identifying and controlling potential/confirmed product quality deficiency related materiel, both within each Service/Agency and across Service/Agency lines.

(2) Identify, to Defense Reutilization and Marketing Service (DRMS) activities, shipments of materiel which are deficient, and must be withheld from reutilization screening.

(3) Enable DRMS activities to distinguish between deficient materiel which must be mutilated, for public health/safety or national security reasons, and that which does not require mutilation and may be sold with a provision that it not be resold to the DOD.

b. Concept refinement during final review:

(1) Perpetuation of the restrictive resale clause to all future resale to the Government (after initial surplus sale).

(2) Elimination of the requirement to coordinate

off-line each disposal action, with the DRMS activities regarding required mutilation action associated with SCC Q material.

(4) Additional edits by initiator and receiver to insure that the disposal release order (DRO) for SCC Q material that is identified as a Flight Safety Critical Aircraft Part (FSCAP) (to include all critical safety items (CSI)) will include the Management Code S indicating that the material must be mutilated by the DRMS activity.

(5) Procedures for communication of PQDR findings to the supply source, including recommendation for disposal with/without mutilation to be addressed in PQDR guidance.

c. Rationale:

(1) Based on an Army request (reference 1c), PMCL 1 (reference 1d) proposed the removal of the intra-Air Force restriction from the definition of Supply Condition Code (SCC) Q (Suspended, Quality Deficient Exhibits) to allow inter-Service/Agency use of the code at the wholesale level. The DOD MILSTRAP Focal Point Committee discussed the PMCL 1 comments at MILSTRAP Meeting FY 88-2 (reference 1d). During the discussion, the Air Force revealed that they used the code at all levels of supply, not just wholesale, and for all suspect assets related to a reported quality deficiency, not just exhibits. The Army's proposed use of the code for exhibits only, although compatible with the present code definition, would require redesign of the Air Force system. The Air Force was not amenable to this approach. The System Administrator believed that inter-Service/Agency use of SCC Q under the Air Force interpretation would be in the best interests of the DOD. It would also negate the need for the new code proposed by PMCL 116 (reference 1f) to identify and control deficient materiel, which DLA recommended, by reference 1g. She also stated that the purpose of supply condition codes is to classify materiel in terms of readiness for issue and use, not to achieve the management control over exhibits desired by the Army. The Committee, except for the Army representative, concurred with the Air Force use of the code and agreed that DLSSD should staff a revised proposal to combine the concepts of PMCL 1 and PMCL 116.

(2) DOD 4160.21-M (reference 1h) requires that defective materiel which is dangerous to public health or

safety be rendered innocuous, or that adequate safeguards be made therefore, before the materiel is transferred for utilization, donated, or sold. Following a thorough evaluation -- including a legal counsel review of the Comptroller General's decision (reference 1i) regarding improprieties in property mutilation -- DLA concluded that mutilation, which would reduce the property sales value, should not be applied to deficient materiel, which is not dangerous to public health/safety or national security. Additionally, DLA arranged with the DRMS to accept dangerous materiel and assure its mutilation **(if properly coded)**. It is expected that the Services, who also have limited mutilation capability, will wish to follow DLA's approach.

(3) When deficient materiel is not mutilated to preclude its future use or restoration as a serviceable part, it can be sold by the DRMS activities at public sale only to be repurchased by the DOD based on a low bid on a Government contract. Believing that DRMS sales restrictions might help to prevent materiel from reentering the supply system, and give DOD legal recourse should it do so, the DO MILSTRAP System Administrator agreed to assign a management code indicating that such restrictions should be applied. However, following internal coordination, DLMSO raised concerns that use of such restrictions might countermand the intent of the Comptroller General's decision. We, therefore, omitted any wording addressing such restrictions from code definition in PMCL 1A (reference 1j) and asked DLA to investigate the legality of their application. As stated in DLA's reference 1k letter (Enclosure 1), DLA confirmed the legality of including a contractual provision in surplus sales contracts prohibiting the resale of selected defective or nonconforming materiel to the Government. DLA also indicated that DRMS will revise DOD 4160.21-M to incorporate the requirement for such a resale restriction in their sales contract and effect the change concurrent with implementation of AMCL 10. As discussed in the reference 1.1 telephone conversations, we are, based on DLA's findings, including a restrictive resale provision in the Management Code O definition. **DRMS concerns for subsequent resale to the Government after the initial surplus sale (reference w), prompted agreement at the April 14, 2003 meeting (reference x) that the restricted resale provision in the surplus sales contract must indicate that the resale restriction is to be perpetuated to all future**

sales.

(4) As also discussed in the reference 1.1 telephone conversations, to further tighten controls to prevent reentry of deficient materiel to the DOD inventory, procuring activities should use an appropriate FAR (reference 1M) clause, such as 52.210-6 or 52.210-7, for solicitation of items with known conformance problems, as a minimum. For use of these clauses to be effective, however, there must be a means in place to track former government surplus materiel, being sold back to the government by a contractor, to deficient materiel previously sold by DRMS.

(5) Management codes, included in MILSTRIP and MILSTRAP documentation for shipments of deficient materiel to DRMS activities, will indicate which materiel must be mutilated and which, although it cannot be used within the DOD may be sold by DRMS with a restriction that it not be resold to the DOD.

(6) The supply condition code is retained in the reutilization and marketing system as the first position of the federal condition code. Also, the revised DRMS system will retain the management code. Therefore, the supply condition code, in conjunction with the management code, will identify to DRMS activities, and to their customers, the assets to which DOD use restrictions apply.

(7) Based on MILSBILLS AMCL 45 (reference 1n), DLA has revised the quality deficiency reporting instruction (reference 1o) to require entry of a 14-position MILSTRIP document number (containing a code U in the first position of the serial number) on the PQDR when the original requisition document number cannot be identified. When reported materiel is directed for return, the supply source must establish the needed controls for supply accountability and financial accounting. This approved change recognizes the supply interface with the quality process and requires the use of the original requisition number, or assigned MILSTRIP document number, in the due-in record when the supply source directs return of the materiel.

(8) The attached procedures also accomplish the Disposal Program Improvement Study (reference 1p) and DOD IG audit report (reference 1q) recommendations, tasked to

DLSSD by reference 1r, to separately identify defective and hazardous materiel being shipped to DRMS activities from other materiel being reported in SCC H (Unserviceable, Condemned).

(9) DOD 4140.1-R requires that improperly documented, defective, nonrepairable, and time expired Aviation CSI/FSCAP are mutilated prior to disposal, exchange, or transfer outside of the DOD. Based upon this guidance, additional edits are required to ensure that the appropriate management code is associated with disposal release orders for all Aviation CSI/FSCAP material.

3. Interface/Impact:

a. Interface:

(1) Requires interface among supply sources/retail activities, storage activities, and DRMS activities.

(2) Requires interface among the supply, quality assurance, procurement, and DRMS operations/systems.

(3) Requires interface among the supply, quality, and financial functions and processes to assure that due-in records are established, pre-positioned materiel receipts are provided to the receiving storage activities, and financial adjustments are processed when reported product quality deficiency related materiel is directed for return.

(4) Requires MILSTRAP Focal Point coordination with their Service/Agency Quality Deficiency Reporting Focal Point and MILSBILLS Focal Point to assure document number interface and other issues are addressed.

(5) Requires DLMSO coordination with the **DOD Logistics Functional Data Administrator (Log FDAD)** to revise the definition of an approved Logistics data element or any of its attributes. The revised definition will be effective concurrently with the effective date of the DLMS change.

(6) Requires interface among supply and DRMS to assure that a restrictive resale clause is applied by DRMS activities, when selling deficient materiel not requiring mutilation, to help prevent deficient materiel from

reentering the DOD inventory.

(7) Requires interface among supply, quality assurance, reutilization and marketing, and procurement functions to assure that inspection requirements are adequate to help prevent deficient materiel from reentering the DOD inventory. As a minimum, Services and Agencies should consider reviewing and amending, if necessary, inspection criteria used when procuring materiel for which there has been a known sale, by the Government, of deficient materiel for the item. Services and Agencies should assure that they can track former government surplus materiel procured by DOD, back to lots of deficient materiel previously sold by DRMS activities. Providing such a capability is in place, an appropriate FAR clause should be included in, as a minimum, solicitations for items known to have been deficient in the past. DLA has identified the following FAR clauses, which require the contractor to identify former government surplus materiel which is being resold to the government, as applicable: 52.210-6, Listing of Used or Reconditioned Material, Residual Inventory, and Former Government Surplus Property; and 52.210-7, Used or Reconditioned Material, Residual Inventory, and Former Government Surplus Property. Other FAR clauses may also be appropriate. In the opinion of the DLA General Counsel (Enclosure 1), use of such a restrictive clause does not violate the Comptroller General decision cited earlier. The use of controls to prevent reentry of SCC Q materiel to the DOD supply system is a Service/Agency responsibility **and is not a DRMS responsibility.**

(8) Requires advance or concurrent publication in AMC-R 700-99 et al. (reference 1s) and DOD 4140.26-M (reference 1t) of the logistics reassignment policy for SCC Q.

b. Impact:

(1) Requires modification of DOD, DRMS, and Service/Agency implementing procedures and processing systems.

(2) Requires modification of DOD 4160.21-M to incorporate a requirement for a restrictive resale clause to be used in sales contracts for SCC Q materiel sent to DRMS with Management Code O **and for the destruction/mutilation of material sent to DRMS with**

Management Code S.

(3) May require modification of internal Service/Agency product quality deficiency reporting procedures to require inclusion of the original document number, when available, in intra-Service/Agency PQDRs and to assure assignment of a MILSTRIP document number for controlling the due-in when the original requisition number is not known.

(4) May require revision of Service/Agency MILSTRAP/MILSTRIP implementing publications to require item managers to establish a due-in and prescribe use of SCC Q when directing and to require use of SCC Q and related management codes in disposal turn-in documents.

(5) May require modification of financial adjustment procedures to ensure that credits, when appropriate, are processed.

(6) Requires revision of DLAI 4155.24/AR 702-7/SECNAVINST 4855.5B/AFI 21-115, May 1, 1997, Product Quality Deficiency Report Program, to clarify use of SCC Q and procedures for communicating recommended disposition with the applicable inventory control point.

4. Procedures:

a. AMCL 10. Revise MILSTRAP as follows:

(1) Definitions and Terms. Add the following entries:

"DEFICIENT MATERIEL. See product quality deficiency."

"PRODUCT QUALITY DEFICIENCY. A defect or nonconforming condition which limits or prohibits the product from fulfilling its intended purpose. Included are deficiencies in design, specification, material, manufacturing, and workmanship. (DLAI 4155.24, et.al.)"

(2) Chapter 3. Add new section C3.4 to read as follows and renumber the remaining sections accordingly:

"C3.4 ISSUE TO DRMO OF SUPPLY CONDITION CODE (SCC) Q MATERIEL

When an inspection or technical/engineering analysis reveals a product quality deficiency which prohibits further DOD use of the materiel, the ICP will direct the transfer of the materiel to the DRMO in SCC Q. Disposal release orders and related issue transactions for this materiel must cite either Management Code O (alpha) to identify deficient materiel which does not require mutilation or Management Code S to identify deficient materiel which requires mutilation. The DRMS will perform mutilation in accordance with existing guidance for the NSN/type of material. The ICP/IMM should identify to the DRMS any unique instructions for disposal requiring specific methods or information regarding hazardous constituents contained in the item.

(3) Chapter 4, Section C4.2, Due-In Transactions. Renumber C4.2 as C4.2.1 and add a new paragraph C4.2.2 to read:

"C4.2.2 When ICPs direct materiel for return based on a reported product quality deficiency, they will prescribe use of Supply Condition Code (SCC) Q in the disposition instructions to the returning activity. ICPs shall establish and monitor dues-in for all returns of potential/confirmed product quality deficiency related materiel, citing the document number included in the report. Provide PMRs for the returns to receiving storage activities, under section C4.3, citing the due-in document number and SCC."

(4) Chapter 4, paragraph C4.9.2.5.9. Revise to read:

"C4.9.2.5.9 Product Quality Deficiency. It is normally preferable for the receiving activity to retain custody of the materiel, whether or not it has been accepted. Report the deficient quantity as a condition Q receipt. The ICP or CAO/PO will determine if litigation or informal action with the procurement instrument source should be initiated. The ICP will take action to transfer the assets under chapter 5, section C5.2.2."

(5) Chapter 4, paragraph C4.9.3.3.9. Revise to read:

"C4.9.3.3.9 Product Quality Deficiency. SCC Q entered in PMRs will indicate that the receipt is

related to a reported product quality deficiency. Storage activities will report receipt of this materiel in condition Q. Do not cite a discrepant receipt management code in the transaction. Based on the results of the inspection or technical/engineering analysis, ICPs will direct the appropriate materiel disposition (see chapter 5, section C5.2)."

(6) Chapter 5, Section C5.2, Changes In Condition of Materiel. Add the following new paragraph C5.2.2 and renumber the remaining paragraphs and revise the Table of Contents accordingly:

"C5.2.2 **Reclassification of Condition Q Product Quality Deficiency Related Materiel**

C5.2.2.1 Storage activities will report discrepant receipts in condition Q as prescribed by the chapter 4, subparagraph C4.9.2.5.9 and C4.9.3.3.9, receipt processing procedures. When directed by the owner, storage activities will also transfer stored, including suspended, materiel to SCC Q and report the action using a dual adjustment transaction following the paragraph C5.2.1.1 procedures in this section.

C5.2.2.2 When inspection or technical/engineering analysis of materiel confirms a product quality deficiency, possibilities for other use of the materiel within the DOD, as well as public health/safety and national security interests, must be considered. Owners will determine if the further use of the item can be made within the DOD.

C5.2.2.3 When inspection or technical/engineering analysis of materiel indicates that litigation action is required, the owner will direct transfer of the materiel to Supply Condition L.

C5.2.2.4 If the deficiency does not prohibit further DOD use (e.g., the defect is minor or the item meets specifications for another NSN), owners will direct storage activities to reidentify and/or transfer the suspended condition Q materiel to the appropriate condition. Storage activities will, within 3 calendar days from receipt of the ICP direction, reclassify the condition Q materiel to the appropriate condition. Report completion of this action with a DI Code DAC Inventory Adjustment -

Dual, using the same document number originally used to report the materiel in condition Q (i.e., the document number of the original receipt or adjustment transaction). Enter the new SCC in record position 66 and SCC Q in record position 71 of the dual adjustment. For reidentifications, storage activities will follow the section C5.7 procedures.

C5.2.2.5 If the deficiency prohibits further DOD use, the materiel will remain in SCC Q and owners will direct transfer of the materiel to DRMOs following the chapter 3 procedures. Improperly documented, unauthorized source, defective, non-repairable, and time-expired Aviation CSI/FSCAP materiel that is not mutilated by the holding activity will be directed to the DRMO in SCC Q with Management Code S. All such materiel will be mutilated. When turning such Aviation CSI/FSCAP in to a DRMO, the turn-in document must be clearly annotated that the part is defective, non-reparable, time-expired, or otherwise deficient and that mutilation is required."

(7) Chapter 5, Section C5.2, Changes in Condition of Materiel, renumbered paragraph C5.2.3, Reclassification of Condition L Receipts. Add a last sentence to renumbered subparagraph C5.2.3.2, as follows:

"C5.2.3.2 Owners are responsible for monitoring materiel suspended in condition L and directing transfer of the materiel to its correct condition when litigation or other action to resolve the discrepancy is completed. If inspection or technical/engineering analysis confirms that a product quality deficiency prohibits further use of the materiel within the DOD, the owner shall direct transfer of the materiel to SCC Q."

(8) Chapter 5, Section C5.2, renumbered paragraph C5.2.7, Monitoring Assets Recorded in Suspended SCCs. Add a new subparagraph C5.2.7.3, as follows:

"C5.2.7.3 Although there is no prescribed timeframe for transferring suspended materiel from SCC Q, supply sources will review all records for materiel suspended in condition Q at least monthly. Supply sources will take necessary action to ensure expeditious inspection or technical/engineering analysis of suspect assets and prompt transfer of the assets, under paragraph C5.2.2 of this section, based on the inspection results."

(9) Chapter 5, Section C5.8, Condition Changes for Items Being Reported/Turned In To DRMS, paragraphs C5.8.1 and C5.8.2. Revise to read:

"C5.8.1 When materiel is not identified by an NSN and is actually scrap, Components may prescribe that it be classified in SCC S for turn-in to DRMOs. Otherwise, only materiel recorded in SCCs A through H **and Q** will be reported or turned in to the DRMO.

C5.8.2 When excess, serviceable, or unserviceable materiel is classified in SCC J, K, L, M, N, P, **[code deleted]** or R, activities must initiate action to reclassify the materiel to an acceptable SCC (A through H, S, **or Q**) before preparing the turn-in documentation. Section C5.2 contains the materiel reclassification procedures."

(10) Chapter 11, Section C11.3, Requirements, subparagraph C11.3.2.3. Revise the subparagraph to read as follows:

"C11.3.2.3 Nonconsumable assets in SCC G, H, J, K, L, M, P, **and Q**. SCC H and P materiel will never be decapitalized. (See AMC-R 700-99, *et al.*, for complete criteria.)"

(11) Chapter 11, Section C11.4, Pre-ETD Actions, subparagraph C11.4.1.3. Revise the subparagraph to read as follows:

"C11.4.1.3 The LIM will reclassify consumable assets in SCC Q **[text deleted]** and R to the appropriate SCC before the LIM provides the GIM the updated LR supply management data transactions (DI Codes DLS through DLX), prescribed by subparagraph C11.4.6.3."

(12) Appendix AP2.5, Federal Condition Codes. Revise the code Q entry under "Supply Condition Codes" as follows:

<u>CODE</u>	<u>TITLE</u>	<u>DEFINITION</u>
"Q	Suspended (Product Quality Deficiency Exhibits)	<i>Potential and confirmed product quality deficiency related materiel which is prohibited for use within DOD and prohibited for reutilization screening. Includes product quality deficiency exhibits returned by customers/users as directed by the IMM due to technical deficiencies reported by Product Quality Deficiency Reports. Exhibits require technical or engineering analysis to determine cause of failure to perform in accordance with specifications. Includes product quality deficient materiel identified by SF 368, Product Quality Deficiency Report; DD Form 1225, Storage Quality Control Report; SF 364, Supply Discrepancy Report, (Security Assistance only); or authorized electronic equivalent."</i>

(13) Appendix AP2.6, Management Codes, Paragraph

AP2.6.1. Add the following code O (alpha) and S entries to paragraph AP2.6.1, Receipt Related Transactions:

<u>CODE</u>	<u>APPLICABLE DI CODES</u>	<u>DEFINITION</u>
"O (alpha)	D6_	<i>Materiel is not hazardous to public health/safety or national security. Materiel is prohibited for DOD use but may be sold by the DRMS. DRMS must assure that all sales include a restrictive resale provision to preclude deter reentry of the materiel to the DOD supply system.</i>

O (alpha)	All other DI codes	Reserved for future DOD assignment.
S	D4_	Materiel receipt discrepancy; discrepancy report submission required. Vendor caused misdirected shipment from procurement instrument source. Materiel meets acceptance criteria specified in the contract.
S	D6_	Materiel is hazardous to public health/safety or national security. DRMO shall assure mutilation is accomplished.
S	All other DI codes	Reserved for future DOD assignment."

(14) Appendix AP2.6, Management Codes, Paragraph AP2.6.2. Revise the introduction, renumber existing footnotes 1 and 2 as footnotes 2 and 3 respectively, add a new footnote 1, and revise the code O (alpha) and S entries as follows:

"AP2.6.2 **ISSUE RELATED TRANSACTIONS.** Management codes are assigned for use in record position 72 of MILSTRAP issue related transactions (DI Code D7_ Issues, DG_ Backorders, and DHA Demands) and MILSTRIP transactions (DI Code A4_ Referral Orders, A5_ Materiel/Disposal Release Orders, A6_ Materiel/ Disposal Release Denials, **ACJ Disposal Release Cancellations**, AE6 Supply Status, **AEJ Disposal Supply Status**, **AFJ Disposal Release Followups**, **AGJ Reply to Disposal Release Cancellations**, **AKJ Disposal Release Cancellation Followups**, **ARJ**, **ARK**, and **ARL Disposal Release Confirmations**) and related release documentation (when applicable), as indicated below:"

<u>CODE</u>	<u>APPLICABLE DI CODES</u>	<u>DEFINITION</u>
"O (alpha)	D7J, A5J, ACJ, AEJ, AFJ, AGJ, AKJ, ARJ, ARK, ARL ¹	<i>Materiel is not hazardous to public health/safety or national security. Materiel is prohibited for DOD use but may be sold by the DRMSDRMS must assure that all sales include a restrictive resale provision to deter reentry of the materiel to the DOD supply system.</i>
O (alpha)	DHA, D7_ less D7J, A4_	No demand.
O (alpha)	All other DI codes	Reserved for future DOD assignment.
S	D7J, A5J, ACJ, AEJ, AFJ, AGJ, AKJ, ARJ, ARK, ARL ²	<i>Materiel is hazardous to public health/safety or national security. DRMO must assure mutilation is accomplished.</i>
S	DHA, D7_ less D7J, A4_	Commissary resale demand.
S	All other DI codes	Reserved for future DOD assignment."

b. AMCL 34. Revise MILSTRIP as follows:

(1) Table of Contents for Chapter 3, Requisition Processing and Related Actions. Revise the titles of paragraph AM and AN as follows:

a. "C3.39. DIRECTING MATERIEL TO DEFENSE REUTILIZATION AND MARKETING SERVICE"

b. "C3.40. PROCESSING MATERIEL TO DEFENSE REUTILIZATION AND MARKETING SERVICE."

¹ Also applicable to DI codes assigned by Components for use on the DTID below the wholesale level.

² Also applicable to DI codes assigned by Services/Agencies for use on the DTID below the wholesale level.

(2) Chapter 3, Paragraph C3.39. Revise as follows:

"C3.39. DIRECTING MATERIEL TO DEFENSE REUTILIZATION AND MARKETING SERVICE.

1. Supply sources will utilize the DRO (DI A5J) and related transactions to direct and control issue of supply system stocks on their ~~accountable~~ records to DRMS. DROs are transmitted to the storage site having custody of the stock and result in the preparation of the DD Form 1348-1A (or DD Form 1348-2) as outlined in chapter 5, paragraph C5.5. Preparation of DROs will be accomplished using the **AP3.13 format. If the item is classified in Supply Condition Code Q and is being transferred to DRMS, the DRO will contain Management Code O (alpha) or S, as appropriate, to indicate if the materiel is hazardous to public health/safety and mutilation is required. Aviation CSI/FSCAP materiel in SCC Q directed to DRMS will always cite Management Code S. (See MILSTRAP, appendix AP2.6.) The DRMS will perform mutilation in accordance with existing guidance for the NSN/type of material. The ICP/IMM should identify to the DRMS any unique instructions for disposal requiring specific methods or information regarding hazardous constituents contained in the item.** When the quantity to be transferred to DRMS exceeds the capability of the quantity field, rp 25-29, multiple DROs with new document numbers **will be utilized. When** multiple DROs are required, each DRO prepared for the same item will contain the total retention quantity in rp 55-61. When the quantity to be retained exceeds the capability of the retention quantity field, rp 55-61, the transaction will be processed off line."

(3) Chapter 3, Paragraph C3.40. Revise the title to read as follows:

"C3.40. PROCESSING MATERIEL TO DEFENSE REUTILIZATION AND MARKETING SERVICE".

(4) CHAPTER 3, Paragraph C3.40. Renumber subparagraphs C3.40.2. through C3.40.6. as C3.40.3. through C3.40.7., respectively.

(5) Chapter 3, Paragraph C3.40. Add a new subparagraph C3.40.2 as follows:

"C3.40.2. The transfer of an item in Supply Condition Code Q requires the entry of Management Code O (alpha) or S, as appropriate, on the DTID to indicate if the materiel is not hazardous to public health/safety or national security and may not be used within DOD but may be sold by the DRMS or if the material is hazardous to public health/safety and mutilation is required. Aviation CSI/FSCAP materiel in SCC Q directed to DRMS will always cite Management Code S. (See MILSTRAP, appendix AP2.6.)"

(6) Chapter 3, Paragraph C3.40. Add new subparagraph C3.40.5.1.3 as follows:

C3.40.5.1.3 DAAS Edit for Aviation CSI/FSCAP Materiel. DAAS will edit Disposal Release Orders (MILSTRIP DI Code A5J) for Aviation CSI/FSCAP material in SCC Q to ensure that these contain Management Code S indicating that mutilation is required. If not, DAAS will insert Management Code S and continue processing.