October 22, 2015

MEMORANDUM FOR DISTRIBUTION

SUBJECT: Defense Logistics Management Standards (DLMS) Joint Finance and Supply Process Review Committee (PRC) Meeting of October 8, 2015

 The attached minutes of the DLMS Joint Finance and Supply PRC meeting are forwarded for information and action.

 The Defense Logistics Management Standards Office (DLMSO) points of contact are Mr. Robert Hammond, Finance PRC Chair, email: financehq@dla.mil, Ms. Ellen Hilert, Supply PRC Co-Chair, email: ellen.hilert@dla.mil, Ms. Heidi Daverede, Supply PRC Co-Chair, email: heidi.daverede@dla.mil.

DONALD C. PIPP
Director,
Defense Logistics Management
Standards Office

Attachment:
As stated

cc:
ODASD(SCI)
Finance and Supply PRC members
Meeting attendees

October 22, 2015

MEMORANDUM FOR RECORD

SUBJECT: Defense Logistics Management Standards (DLMS) Joint Finance and Supply Process Review Committee (PRC) Meeting of October 8, 2015

 Purpose: Defense Logistics Management Standards Office (DLMSO) hosted a Joint Finance and Supply PRC meeting at DLA Headquarters and via Defense Collaboration Services (DCS). The focus of the meeting was to review with the finance and supply communities, opportunities to develop DoD enterprise approaches to address known gaps in audit evidentiary matter where orders originate outside the Component ordering systems. A listing of participitants and all meeting related materials and briefings are hyperlinked below and are available on the Finance PRC Web page linked to the meeting agenda at http://www.dla.mil/j-6/dlmso/Archives/archives_fin.asp.

 Brief Summary of Discussion: Mr. Robert Hammond (Finance PRC Chair) and Ms. Ellen Hilert (Supply PRC Co-Chair) facilitated meeting discussion.

1. Welcome and Opening Comments. Mr. Hammond, Ms. Hilert and Mr. Donald Pipp, Director of DLMSO, extended their sincere appreciation to all meeting participants. Over a hundred individuals or groups participated in the meeting, primarily by DCS. Mr. Hammond addressed DLMSO's mission as the Executive Agent for the logistics information exchange, fostering interoperability and facilitating continuous enterprise integration process improvements to logistics management and operations. A graphic depicted the annual volume of logistics transactions flowing between customers and suppliers. Mr. Hammond described the structured, disciplined DLMS change process. He discussed the Finance and Supply Process Review Committee (PRC) missions, identified Web links for the Finance, Supply, DoDAAD and other PRCs and chartered DLMS working group points of contact, and location of DLMS training on the Web.

2. The Art of Logistics Video. The video is hyperlinked here and on the agenda. Mr. Hammond recommended those new to the DLMS watch this DLA-produced video to get a brief introduction on the history and role of the DLMS. Participants are welcome to refer others to the video.

3. Orders Initiated Outside of Component Systems. Mr. Hammond provided a recap of the common supply process/transaction flow from requisition through to Interfund billing, and billing adjustment. The requisition, materiel receipt acknowledgement and interfund bill provide

the evidentiary matter to support an audit three way match for the buyer and seller. Component ordering systems route the transactions through the Defense Automatic Addressing System (DAAS), which manages data transformations between trading partner capabilities, applies specific data validations, and maintains a record of transactions. An additional benefit to the trading partners is that Transaction Services, which manages DAAS, hosts Web tools for querying and viewing raw transaction data that are available to individuals with approved system access requests. Moreover, transactions routed through DAAS are a key source of evidentiary matter, in lieu of emails, spreadsheets and paper documents. Mr. Hammond walked through a couple of the tools for researching requisition and billing related transaction data.

When orders are not originated in a Component's ordering system, obligations may not be recorded at the line item level, orders may not process through DAAS for validation/editing, the automated supply transactions that serve as the evidentiary matter for audit are routinely suppressed (as they may not provide line item information to their customer even when available in the ordering system), receipts may not be recorded in the Component's supply system and materiel receipt acknowledgements may be problematic. In these instances, billing offices "roll up" Interfund detail bills, using a single detail bill with a quantity of one each, an invalid NSN/part number and a unit price representing the total value of the items included in the bill. Such bills do not identify what is being billed, and the same invalid part NSN/part number with a quantity of one each is used with a different unit price for similar bills. This practice is not in compliance with policy, results in extensive, costly manual labor to perform a three way match between the obligation/order, receipt and bill and is a serious audit readiness issue for Components that has Senior Executive Service (SES) level interest. Not surprisingly, a recent GAO audit (GAO-15-198) of the USMC 2012 schedule of budgetary activity notes "department-wide material weakness with DLA business systems/processes with resulting inability [of Components] to provide evidentiary matter related to obligations, orders, receiving reports and invoices." Note, however, that this applies to all sellers and is not unique to DLA. The other presentations on the PRC agenda examine opportunities to leverage and enhance existing solutions to close the gap in auditable evidentiary matter for these ordering processes/systems, and seek verification of interest and requirements for two potential solutions that would need proposed DLMS changes (PDCs) for a DoD enterprise approach. The intent is not for all the ordering processes where the order is initiated outside the Service's supply system to agree on one approach, but to help each process identify an approach that will work best for their situation. Still, for all the processes targeting a similar approach, the solution should be a common standard meeting the process needs that is compliant with MILS/DLMS.

4. **Relationship between Requisition Status and Obligations**. Ms. Hilert noted where supply status transactions should affect a Component's obligations and opportunities for enhancements. Military Standard Requisitioning and Issue Procedures (MILSTRIP) requires that sources of supply (SoS) furnish status data to designated activities as notice of action taken or being taken on MILSTRIP transactions. Some status codes explicitly instruct on obligation changes, while others may impact obligations even though the code does not call out such action (e.g. Status Code B7, Unit price change). Receipt of a supply status transaction at the bill-to activity indicating materiel is being released for shipment represents an opportunity to interact with financial processes/systems to confirm that the appropriate obligation is recorded. For the obligation information to be posted correctly, the supply status transaction must include at a minimum; materiel identification, billing unit price, fund code,

ordering activity, and the bill-to party. Materiel identification without an NSN or CAGE/Part Number can be problematic. DLMS has support for other forms of product identifications, but may need to require inclusion of product nomenclature where no standard identification is available. Ms. Hilert explained that DAAS will no longer suppress the supply and shipment status transactions associated with FEDMALL requisitioning with Government purchase card payment method, but DLMSO has provided rules for avoiding over obligating funds based on the supply status by checking for a specific bill-to party DoDAAC. She drew attention to the MILSTRIP requirement that all internet ordering applications that permit MILSTRIP requisitions to be initiated outside the responsible DoD Component's supply system take precautions to ensure that only authorized personnel place orders and all standard financial and logistics procedures are followed. At the moment, these applications must either establish an interface to the appropriate Component-sponsored application to validate funds availability and establish the obligation, or make it clear to users of their responsibility to manually establish the obligation prior to or concurrent with placing the order. Ms. Hilert requested feedback on a possible mandatory requirement for DAAS to furnish supply status to the bill-to DoDAAC, and interest in using the shipment status to ensure an obligation is recorded (based on DLMS enhancements which allow inclusion of key data missing from legacy shipment status). DLA Troop Support commented that the Subsistence Total Ordering and Receipt System (STORES) is not providing status transactions due to the turn-around time and uncertainty of delivery. Recording obligations at the line item level in Component systems may be problematic for orders originated in STORES. Similarly, Defense Medical Logistics Supply System (DMLLS)/Theater Enterprise-Wide Logistics System (TEWLS) does not currently use supply transactions; instead, they use procurement transactions that DLA's Enterprise Business System (EBS) can process. DLMSO notes that, along with the required document number, additional data content may be added to DLMS transactions to support procurement requirements.

Actions:

- **Components**: Review internal procedures to ensure appropriate financial actions are taking place based upon Supply Status. (**Target Due Date**: **November 20, 2015**)
- **Components**: Provide preliminary feedback on potential enhancements for mandatory supply status to the bill-to activity and use of shipment status for financial system interface. (**Target Due Date**: **November 20, 2015**)
- **Components sponsoring Internet ordering systems**:
  - Post notice to users for manual posting of obligations pending development of appropriate system interfaces or other systemic alternatives
  - Ensure system provides supply and shipment status
  (**Target Due Date**: **November 20, 2015**)
- **Components**: Confirm systems recognize bill-to party when identified via third party billing (Signal Code C or L). (**Target Due Date**: **November 20, 2015**)

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5.   Funds Verification/Obligation Recording Process. Mr. Hammond briefed the Funds Control and Verification Process documented in DLM 4000.25, Volume 4, Chapter 7. When implemented in Component ERPs , this process and its associated standard XML transactions

supports any "off-line" requisitioning system to verify with the Component the requisitioner's authority to place the desired order, ensure sufficient funds are available, establish due-ins (where supply and finance system are integrated), and accurately document the obligation before the requisitioning system completes processing the order. This approach is in place as a standard DLA Transaction Services' Web service between GSA Advantage and Army's Global Combat Supply System – Army (GCSS-Army). A legacy point-to-point interface in place with Army's Funds Control Module (FCM) will eventually be sunset as activities migrate from FCM to GCSS-Army. In February 2016, when FEDMALL goes live, the Funds Control and Verification Process will be supported. Also, when FEDMALL is stood up, Marine Corps will be the next Service to implement the Funds Control and Verification Process between FEDMALL and SABRS. The Funds Control and Verification Process is available to others to implement, and could be a solution for other off-line processes lacking upfront funds verification and obligation recording.

6. **DLMS 821 Obligation Transaction**. Mr. Hammond gave a brief overview of a concept to for creating a new DLMS implementation convention based on the Accredited Standards Committee (ASC) X12 821 transaction set, which would allow offline ordering systems to provide their customers with information to record obligations at the line item level. Such obligations are needed to clear automated Interfund bills at the line item level. Some processes where DLA provides obligation data to Components include point-to-point user defined files (UDF) supporting DLA Fuels and the KYLOC process for uniforms. However, the UDF obligation transactions vary among process and customers, as well as failing to leverage DoD standard logistics transaction infrastructure and capabilities provided through DAAS. DLMSO, DLA, DFAS, the Defense Enterprise Accounting and Management System (DEAMS) Program Management Office (PMO) and Transaction Services are working on a new ASC X12-based DLMS 821 Financial Reporting IC for reporting obligations via DAAS to fill the void. The ASC X12 821 transaction set is used in other DOD processes (i.e. Defense Travel System, credit card), but not DLMS. Upon confirmation of Component interest in moving forward with this approach, a PDC will be developed and staffed to propose establishing the DLMS 821 and associated procedures. As part of these minutes, DLMSO is providing suggested minimum data elements for Component review and consideration (Click here to download Excel spreadsheet).

Actions:

- **Components** report:
    1. Need for and interest in DLMS 821 obligation transaction
    2. Potential target business processes
    3. How default obligation data would be provided to the seller
    4. Need to incorporate and map to current KYLOC and Fuels UDFs
    5. Minimum data elements required (SFIS/SLOA should be primary)
    (**Target Due Date**: **#1-4 – November 20, 2015**; **#5 – December 4, 2015**)
- **Sellers**: Review Component responses and comment on desirability/feasibility and preferred approach for your offline ordering processes (**Target Due Date**: **December 18, 2015**)
- **DLMSO**: In coordination with DLA, draft PDC as required (**Target Due Date**: **TBD based on feedback**)

7. **DLA Prime Vendor MIPR Replacement**. Ms. Elaine Applegate, DLA Order Management, presented some of DLA's Prime Vendor programs providing tailored logistics support and long term contracts which have millions of dollars in annual Military Interdepartmental Purchase Requests (MIPRs). The generic process for these programs shares a number of pain points for potential delays and risks for errors related to MIPRs and does not consistently make use of Materiel Receipt Acknowledgements (MRAs). DLA identified three audit concerns with the Prime Vendor programs to tackle and established corrective goals for each. First, to address the delays and errors inherent with MIPRs, DLA is seeking to eliminate MIPRs to the fullest extent possible. Second, there is a lack of consistent use of MRAs, which DLA seeks to turn into a 99% MRA rate. Lastly, to improve asset visibility and accountability, DLA wants to provide customers with better item identification of non-NSN materiel. DLA has initiated conversations with the Army about a possible approach which would use a modified 511R to include requirements common on commercial EDI transactions, and might be able to pull these processes into the regular supply processes with supply status transactions through to a DLMS 810L bill. Meanwhile, DLA Information Operations is exploring a potential SAP solution for TVR/ non-NSN and MIPRs. From an audit perspective, the approach of adding additional data content to the DLMS 511R has the advantages of the order being originated within the Component's ordering system and of the line item obligations being recorded prior to the order being processed. The approach will require trading partners being DLMS capable. DLA is also looking at using the Fuels interface for the Air Force DEAMS non-NSN business funded by MIPRs. DLA is planning to proactively meet face to face with each Service to develop a transition strategy from MIPRs to MILS/DLMS. DLMSO suggests that DLA include in these discussions the trading partner SPRC and FPRC representatives, (who have significant functional expertise) and that uniform strategies be applied to each business process.

Actions:
▪ **DLA**: Consider including SPRC and FPRC representatives in discussions regarding transition strategies from MIPRs to MILS. Coordinate with DLMSO, as appropriate, to ensure compliant strategies and to develop Proposed DLMS Change Requests as needed Provide status regarding this outreach initiative to DLMSO. (**Target Due Date: As appropriate and NLT 20 December 2015**)

8. **Discussion of Seller Identified Systems/Processes for Ordering Outside Component Ordering System**. Prior to the meeting DLMSO, sought information from ordering systems/processes regarding their current capabilities to provide DLMS transactions to support audit evidentiary matter. Ms. Applegate coordinated data collection for a number of DLA ordering systems. GSA, provided information for GSA's off-line ordering systems/process. (The responses are included in the Excel spreadsheet of minimum obligation data elements analysis linked to at the end of paragraph six above.) Some process/systems owners commented on their process and capabilities.

    a. **DLA Troop Support Medical Tailored Vendor Relationship (TVR)**. A consideration for this program to providing upfront validation is the number of different ways they accept orders.

b. **DLA Troop Support, Construction & Equipment TVR**. Noted that they process a significant number of unique item orders. The customer emails the requirements to DLA, who then seeks quotes from vendors.

c. **DLA Land and Maritime Industrial Product-Support Vendor**. Currently, the customer only gets a summary level bill. The process recognizes the need for a detailed line-item obligation to match to a detailed bill.

d. **DLA Customer Interaction Center**. This emergency requisition process supports call-ins and bearer walk-throughs. A post-post requisition is issued at the time of the materiel release. DLA Aviation reported that they are having an issue with invalid DoDAACs being used by some requisitioners, and would like to see upfront verification of the authority code implemented. DLMSO concurs and notes that this condition is not unique to bearer walk-through, but applies to any process where orders are originated outside of the Component's ordering system. Many of these processes, such as the DLA VILkey process for fuel, rely on customer master data maintained in the seller's system, and the DoDAAC authority codes may change over time. Mr. Hammond noted that, while such orders to not pass through DAAS for validation, all Interfund bills do. The resultant Interfund bills fail DAAS edits if the requisitioner DoDAAC did not have the authority to place the order, if the bill-to party DoDAAC did not have the authority to pay the bill or if either DoDAADs is not valid. These results in journal vouchers by the seller to reverse revenue already recorded, in unmatched financial transactions for the buyer and in costly, manual work to reprocess the bills. DLMSO noted that, while validations of requisitions routed through DAAS prevents those orders from processing, both buyers and sellers have a shared responsibility for ensuring - in all ordering processes - that DoDAACs are valid and have the proper authority codes for their intended use. DLMSO also noted that DLA has provided DLMSO draft PDC 1186, Implementation of Authority Code Edits in Supply Systems, to require an authority code edit up front in all ordering processes, which is under internal review prior to formal coordination with the Supply and Finance PRCs. In a related matter, recently released ADC 1043E requires that the fund code similarly be validated up front at DAAS and in all ordering processes.

e. **GSA Offline Services**. GSA discussed it's self-service stores where line item obligations may be problematic. GSA described a processes for USMC in which the requisitioner uses a ServMart credit card and obligations are sent to SABRS using a custom B7A for non-catalog/non-standard transaction. Bills go out twice a month. DLMSO noted that B7A is the transaction identifier for another process and there should be a DoD standard transaction or process developed instead.

9. **Concluding Remarks.** Mr. Hammond and Ms. Hilert thanked all meeting participants for their time and consideration of the approaches.

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ROBERT HAMMOND   ELLEN HILERT
Chair, DOD Finance PRC   Co-Chair, DOD Supply PRC

Approved: _____
DONALD C. PIPP
Director,
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