



DEFENSE LOGISTICS AGENCY
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IN REPLY
REFER TO J627

November 24, 2010

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Defense Logistics Management Systems (DLMS) Finance Process Review
Committee (FPRC) Meeting, November 17, 2010

The attached minutes of the DLMS FPRC meeting are forwarded for information and appropriate action. Request cooperation of all concerned to respond within prescribed timeframes. The next meeting will be scheduled at a later date.

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DONALD C. PIPP
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Attachment
cc:
ODASD(SCI)
Finance PRC Committee



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MEMORANDUM FOR RECORD

SUBJECT: Defense Logistics Management System (DLMS) Finance Process Review
Committee (PRC) Meeting, November 17, 2010

Purpose: DLA Logistics Management Standards hosted the subject meeting at a conference facility located at 2000 Corporate Ridge, McLean, Virginia. Defense Connect Online (DCO) was used to provide real-time viewing of presentations for those participants calling into the meeting. Discussion topics are noted below. A list of attendees is shown at Enclosure 1. All meeting handouts and briefings are available on the Finance Process Review Committee (FPRC) Web page meeting agenda at <http://www.dla.mil/j-6/dlmso/Programs/Committees/Finance/financeprc.asp>

Brief Summary of Discussion: Bob Hammond, FPRC Chair, facilitated the meeting discussions.

Review of Meeting Topics:

1. Standard Financial Information Structure (SFIS).

- a. Bob Hammond gave a presentation on SFIS, followed by a detailed discussion of Proposed DLMS Change (PDC) 365 - DLMS Revisions for SFIS (Supply/Finance). PDC 365 identifies SFIS data elements to be exchanged between trading partners in the "Target" environment where it is assumed that legacy DFAS systems will be retired and Enterprise Resource Planning Systems (ERPs) will be doing the financial processing. SFIS is a common business language that enables budgeting, performance-based management, and the generation of financial statements. One aspect of SFIS is the replacement of the long line of accounting with discrete accounting data elements. This was not possible under the MILS fixed 80 record position transactions, but is now possible under the variable length DLMS transactions. The fund code, signal code and bill-to DoDAAC identify the appropriation chargeable from the DLA Transaction Services authoritative source Fund Code to Appropriation Conversion Table, which provides a "Single Source of Truth" or master data capability for all trading partners. PDC 365 identifies two approaches for exchanging SFIS data. One approach is to add all proposed SFIS data elements to the DLMS transaction and to retain the fund code process until no longer needed to support the transition in a mixed MILS/DLMS environment. Another approach to satisfy this requirement is to add only the business partner number to the DLMS transactions, and then to add the other SFIS data elements to the DLA Transaction Services fund code table as discrete data elements to be exchanged by financial/supply systems

through a referential/master data capability. The second approach would retain the fund code permanently. Because of the potential operational impact, complexity, and many staffing notes requiring review/action, a 60 day review period has been established for PDC 365 to allow coordinated staffing and a thorough review. The briefing slides and PDC 365 are posted on the agenda.

- b. Discussion centered around the many staffing notes in the PDC requiring review and action, including requirements for FPRC representatives to coordinate with Component/Agency Fund Code Monitors to validate that sufficient fund codes are available to accommodate the beginning and ending period of availability date for each appropriation, and to clarify the need for the fund code symbols discussed in the PDC. Army (Pam Lynch) indicated that an initial review indicated that Army likely has sufficient fund codes available. Some additional questions and concerns are discussed below:
 - i. There were questions and concerns regarding the approach of providing discrete SFIS data in DLMS transactions for requisitions initiated outside of Component ERPs, including offline ordering systems such as DoD eMall, GSA Advantage, GSA Global, and orders initiated through emergency call centers, STORES, FFAVORS, and some Tailored Vendor Relationship (TVR) and Prime Vendor systems. This discussion included the potential for human error from manual data entry that may cause unmatched financial transactions and possible future requirements for systems initiating orders outside of Component ERPs to maintain users' ERP SFIS profiles. In addition to initial programming costs, real-time interface with ERPs may be required to support this.
 - ii. There were questions about possible potential conflict between definitions and business rules for SFIS data elements and data elements already in use for logistics and financial processes. Some examples include the possible need to keep DLMS/MILS "Project Code" separate from SFIS "Project Identifier" (Ellen Hilert, DLA J627); "Work Order Number" which is already in use in DLMS for Navy Base Realignment and Closure implementation procedures (Ellen Hilert, DLA J627); DLA EBS "Cost Center" and "Profit Center" data elements and possible use of SFIS "Cost Objects" for competing purposes (Karen Opie-Toler, DLA-J8).
- c. **ACTIONS: (Due 17 January 2011)**
 - i. **ALL**, ensure appropriate distribution of PDC 365 to ensure full coordination; provide an initial response addressing all staffing notes.
 - ii. **FPRC Chair (Bob Hammond)**, review the DLMS 812R – Request for Billing Adjustment and 812L - Logistics Bill Adjustment Request Reply to determine if the SFIS data element Business Partner Number (BPN) should be included in these transactions.

2. Off-Line Ordering System- Funds Availability Check.

- a. There was a discussion of ADC 328 - "Off-Line" Requisition Processing: Internet Ordering Application Request for Component Verification of Funds Availability & Recording of the Financial Obligation. This ADC will establish a capability for a funds verification check for off-line ordering systems, such as DoD eMall and GSA Advantage, before orders process, and it will allow for recording the obligation in Component/Agency financial systems. This capability was initially

requested by Army, who implemented the capability on 1 November 2010. Marine Corps, (POC Mr. Copeland) and Navy (POC Sharon Fry) have expressed interest. Air Force has not expressed interest at this time. Ellen Hilert indicated that this process also has potential application to DLA TVR and requested assistance in obtaining a DLA TVR POC to discuss this.

- b. **ACTION: DLA J-8 (Karen Opie-Toler), by 1 December 2010**, identify a TVR POC.

3. FAA RIC Problem.

- a. Some FAA billings have RIC 570 vice RIC G69. Billie Davis, FAA, has indicated that FAA is sending RIC G69. This problem was originally surfaced by Air Force who implemented a temporary work-around pending correction. Roxanne Degner, GSA, indicated that a programming change is expected to be implemented to correct this error by the January mid-month billing cycle.
- b. **ACTION: GSA (Roxanne Degner), by 17 January 2011**, provide implementation status for the programming change to correct this error

4. Air Force Billing Problems Resulting from Partial Shipments.

- a. DLA Distribution Standard System (DSS) confirms based on partial shipments, and DLA Enterprise Business System (EBS) bills based on these confirmations, (ARO) vice the material release order (A5_). The possibility exists that some bills will appear as duplicate billings. These bills don't contain suffixes on the document numbers. The Air Force finance system had considered the same document number with the same quantity to be a duplicate; however, Angel Sweetser (DFAS) indicated that she believes that a programming change has been implemented to account for this process and to eliminate manual research.
- b. There remains a question regarding whether the DFAS centers charge by the detail billing transaction and whether this DLA billing process of sending multiple detail billing records for these partial shipments increases the cost for the Components/Agencies. The extent of these partial billings is currently unknown.
- c. **ACTIONS: (Due by 1 December 2010):**
 - i. **DFAS (Angel Sweetser)** report on whether Air Force has implemented a programming change to accommodate the detail level partial billing records described above.
 - ii. **DFAS (Angel Sweetser and Dan Martin)** report on whether DFAS charges Components/Agencies for each detail billing record transaction vice billing only for the Summary Bill.

5. GSA-Directed Shipments Lost at DLA-Operated Consolidation and Containerization Point (CCP).

- a. GSA directs vendor shipment to customers through the DLA CCPs. If material is lost and GSA has transporter proof of delivery (TPD) from the vendor, neither the vendor nor GSA will reimburse the customer. DLA has no policy/process to provide credit for CCP losses based upon submission of a Supply Discrepancy Report (SDR) to DLA. GSA does not accept responsibility for CCP losses. The volume of these types of lost items is small, but users get upset when they don't get credit. Additional time is lost due to lack of published procedures governing this scenario, resulting in repeated follow-ups from the customer seeking

resolution. Ellen Hilert (DoD Supply Discrepancy Report Sub-Committee Chair) initiated Draft PDC 314 to propose procedures for GSA to reimburse the customer and to then have DLA reimburse GSA. GSA would bill DLA for the customer's credits. Ellen requested assistance in identifying a DLA POC to assist in continuing work on this Draft PDC.

- b. **ACTION: DLA (Michael Lane), by 17 January 2011,** identify a DLA POC to continue coordination on DRAFT PDC 314.

6. DLA Billing Issues There were two DLA billing issues discussed.

a. **DAAS Bill Rejects:**

- i. DLA reported that as of October 2010 there was \$1.8M in rejected Interfund bills that failed DAAS DoDAAC edits. This creates manual work for DLA and DFAS and delays bill processing. ADC 354 provides information regarding DAAS edits on logistics bills and requisitions, including DoDAAC authority code edits implemented by ADC 262 that restrict designated DoDAACs from being used as requisitioning and/or bill-to DoDAACs. DAAS edits reject requisitions and bills in cases where the requisitioning DoDAAC or the bill-to DoDAAC is not a valid DoDAACs. DAAS edit rejects occur either because these DoDAACs are not active DoDAACs on the DLA Transaction Services authoritative database or do not have the correct authority code for these transactions.
- ii. At November 2009 Finance PRC, DLA reported an absolute value of \$5,263,355 in rejected bills. Research indicated that many rejected bills were the result of:
 - (1) requisitions with DoDAACs that had passed DAAS edits but were billed after restrictive authority codes were put in place for those DoDAACs;
 - (2) DoDAACs that were valid at the time of requisitioning but had been in "deleted" status for more than five years (and been removed from the DAAS authoritative DoD Activity Address Directory database) before the bill was processed in EBS;
 - (3) Military Assistance Program Address Codes (MAPACs) being used for billing.
- iii. While progress has been made, there appear to be continuing gaps allowing requisitions with MAPACs and with invalid DoDAACs to be processed. Ellen Hilert indicated that the Defense Medical Logistics Standard Support (DMLSS), DLA TVR and Subsistence Total Order and Receipt Electronic System (STORES) transactions uses a multi-line transaction that bypasses DAAS edits, which may be the source of some errors.
- iv. Karen Opie-Toler had a related question regarding the use of contractor DoDAACs that cite a DFAS activity in the DoDAAC TAC 3, which may be a practice employed by Army and others.
- v. **ACTIONS: Due by 10 December 2010:**
 - 1. **DLA J8 (Cathy Shepard)** check to see if DLA is employing the DLA Transaction Services DoDAAD replicated database, including the DoDAAC authority code, to screen DMLSS, STORES and TVR transactions.

2. **DLA J8 (Cathy Shepard)** provide examples for further research of traditional non-TVIR, non-STORES and non-DMLSS supply transactions that are being rejected.
 3. **DLA J8 (Karen Opie-Toler)** provide examples of contractor DoDAACs citing DFAS as a TAC 3 billing address.
 4. **DLA J627 (Bob Hammond and Ellen Hilert)** review the possibility of DLA Transaction Services editing multi-line transactions.
- b. **Non-Interfund Billing (XP Fund Code).** DoD Financial Management Regulation requires any military service that has the capability to use the Interfund billing system to do so. Non-Interfund transactions increase processing costs and processing time. In addition, they are a significant source of delinquent receivables (\$86M for DLA as of October 2010). DLA acknowledges that price adjustment issues for STORES requisitions have resulted in Components using non-Interfund transactions. DLA is working to correct those price adjustment issues. DLA has held meetings with Military Services and DFAS client executives to reduce the use of XP fund code requisitions. Subsequent to the FPRC, Bob Hammond discussed this issue with Cathy Shepard and determined that assistance FPRC may be useful in advancing the goal of reducing non-Interfund transactions. Accordingly the action items below have been established.

i. **ACTIONS:**

1. **DLA (Cathy Shepard), by 31 December 2010**, provide a sample listing of non-STORES, XP fund code transactions to Bob Hammond to distribution to FPRC representatives by email to review and provide assistance in determining the reason Interfund is not being used.
2. **All, by 31 January 2011**, provide status to FPRC Chair and Cathy Shepard of research accomplished. Note, if you do receive an email by 31 December 2010, you have no action.

7. **DLMS Manuals.**

- a. Draft DODI 4140.01, which is pending approval, designates the publication of MILS/DLMS manuals as Defense Logistics Manuals (DLMSs). This would include MILSBILLS (DoD 4000.25-7-M) and the DLMS Manual (DoD 4000.25-M), which both contain financial procedures for the DoD logistics infrastructure. In addition, Bob Hammond is working to update and combine the procedures from the DLMS Manual (DoD 4000.25-M) and MILSBILLS (DoD 4000.25-7-M) into a single manual. The ultimate goal is to incorporate all procedures into DLM 4000.25-M, Volume 4 - Finance. Revisions will be done through a series of Proposed DLMS Changes (PDCs). PRC support in carefully reviewing these PDCs will be needed.
- a. **ACTIONS. All, by 17 January 2011**, review and provide comments/updates to chapters two and three of the DRAFT DLMS below
 - i. Draft DLM 4000.25-3 MILSBILLS (<http://www.dla.mil/j-6/dlms/Archives/Finance/meetings/17Nov10/DLM4000.25-3-c2andc3.pdf>)

- ii. DLM 4000.25, Volume 4 - Finance (<http://www.dla.mil/j-6/dlmso/Archives/Finance/meetings/17Nov10/DraftDLM4000p25v4Ch2and3.pdf>)

8. Interagency Agreement (IAA).

- a. The Interagency Agreement is proposed by Treasury and the Office of Management and Budget (OMB) to be the new standard agreement form for capturing the detailed information required for processing reimbursable and assisted acquisition agreements with the goals of providing consistent, uniform information and financial facilitating eliminations. A longer term goal would be to automate the IAA process. OMB and Treasury are considering requiring the use of the IAA for all elimination levels and for transactions previously exempted from the Financial Systems Integration Office reimbursable process, including fleet, fuels, and DoD Interfund transactions. A financial elimination is simply the process of accounting for and “eliminating” transactions between the same organization or organizational hierarchy so as not to overstate sales. There are various levels of eliminations. For example transactions can be eliminated within agencies (Army to Army) within DoD (Army to Navy), within in the Federal Government etc. This is similar to the commercial practice of businesses “eliminating” sales/transactions between their business units.
- b. The IAA would require significant data to be exchanged between trading partners, which is not possible using MILS transactions, but could be accomplished in the long-term using DLMS. However, because of the adverse operational, mission and cost impacts to DoD, and because Interfund billing is a highly efficient automated process that fully supports eliminations, OSD Comptroller has opposed extending this proposed process to Interfund. OMB and Treasury are planning further pilots to assess the proposed IAA.
- c. FPRC Chair, Bob Hammond, and DFAS, Dan Martin, Nicolas Bell, and Bruce Stahmer provided briefings on this topic that were similar to briefings provided to OSD Comptroller.

9. Air Force Expeditionary Combat Support System (ECSS) Financial Implementation

- a. Cliff Klein provided a brief update on Air Force ECSS, however an ECSS deployment schedule was not provided to him in time for the FPRC. In addition draft slides provided to him included a comment that ECSS would be eliminating “duplicate” MILS fields as a part of DLMS implementation. Ellen Hilert requested information on this.
- b. **ACTION: Air Force (Cliff Klein), by 17 January 2011, provide deployment schedule and identify the fields that ECSS believes can be removed in DLMS transactions.**

10. MILSBILLS – Credit Adjustment Process.

- a. Joshua Doroen (DFAS) provided a briefing on an ongoing Lean6 Sigma effort between DFAS and DLA to improve the process for resolving “disputed” transactions. Air Force reported \$5.23M in disputed transactions with DLA and reported that disputed transactions are taking an average of 87 days to resolve. The disputed transactions result from a variety of issues, including. Air Force failure to submit timely Material Receipt Acknowledgements and failure to

submit Supply Discrepancy Reports. As part of the research for this effort, it was determined that DLA Enterprise Business System (EBS) is non-compliant with MILS and DLMS in not having fully implemented the financial transactions for billing adjustment requests and replies, (MILS FAE/FAR and DLMS 812R/812L), This is resulting in a labor-intensive email process and is causing delays in the processing of adjustments. The DLA Finance Team took action items to initiate a high-priority Systems Change Request (SCR) to resolve this problem and to provide a copy of the guidance that initiated the current email process. A proposed DLMS change may be required to document the "Interim" process, pending the EBS systems change.

- b. **ACTIONS: DLA J8 (Karen Opie-Toler and Michael Lane), by 3 December 2010:**
 - i. Provide status on the EBS SCR submission.
 - ii. Provide guidance issued by DLA to use email transactions for billing adjustment requests and replies.
 - iii. Discuss with FPRC Chair the need for a PDC documenting interim procedures.

11. Non-Interfund Authority Code

- a. Angel Sweetser (DFAS Columbus) suggested that a PDC be developed to add a DoDAAC authority code for non-Interfund requisitioning and billing.
- b. Authority codes were implemented in November 2009 to limit the use of DoDAACs for certain purposes, such as requisitioning, billing or serving as a ship-to activity. DAAS rejects transactions that fail these edits, including requisitions and bills (see ADC 224 and 354). Prior to implementation of authority codes, Air Force had initiated procedures with DLA Transaction Services to limit certain Air Force DoDAAC series to non-Interfund requisitioning only and to convert incoming requisitions to fund code "XP" for non-Interfund billing (see ADC 110 series). The proposed PDC would remove these Air Force unique edits and would provide a means for other Components/Agencies to identify specific DoDAACs for non-Interfund requisitioning and billing. Note that the current Air Force DoDAAC update application does not have the capability to enter authority codes, so these are entered using the DLA Transaction Services DoDAAC web update application or by DoDAAC series with DLA Transaction Services assistance.
- c. Bob Hammond offered to assist Angel in developing such a PDC. However, it is DoD policy that Interfund billing be used, except as outlined in MILSBILLS (DoD 400.25-7-M, paragraph 2.2.2.3 which must be considered. A review of Air Force use of non-Interfund billing is indicated as part of PDC development.

12. DLA Logistics Management Standards Office Website. Bob Hammond provided a demonstration of the information available from the DLA Logistics Management Standards Office web site at <http://www.dla.mil/j-6/dlms/eLibrary/Changes/approved4.asp>. Some examples of key information include: links to DLMS Committee information (including FPRC), Logistics Management Standards Committee representatives (such as FPRC and Fund Code), DLMS Changes (Proposed and Approved), and DLMS Supplements.

- 13. Finance Training.** Bob Hammond presented the DLMS Introductory Training Finance Module and presented training on how to read the DLMS Supplement 810L – Logistics Bill. The purpose of the training was to assist in understanding the DLMS process and in interpreting DLMS Supplements.
- 14. DLMS Migration Status.** Bob Hammond provided a status update on migration from fixed 80 record position MILS transactions to variable length DLMS transactions. In October 2010, 63% of transactions in and out of DLA Transaction Services were DLMS transactions.
- 15. Process Review Committee (PRC) Survey.** A review of surveys provided by FPRC representatives at the conclusion of the meeting indicated a desire for more frequent FPRC meetings and provided other valuable feedback on the meeting. FPRC Chair, Bob Hammond, greatly appreciates the feedback to improve the FPRC process. **Thank you all for participating in the meeting and for providing this feedback.**