April 2, 2015

MEMORANDUM FOR DISTRIBUTION

SUBJECT: Defense Logistics Management Standards (DLMS) Finance Process Review Committee (PRC) Meeting of March 4 - 5, 2015

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

The Defense Logistics Management Standards Office point of contact is Mr. Robert Hammond, Finance PRC chair, 703-767-2117, DSN 427-2117, financehq@dla.mil,

DONALD C. PIPP
Director,
Defense Logistics Management
Standards Office

Attachment:
As stated

cc:
ODASD(SCI)
Finance PRC members
Meeting attendees

April 2, 2015

MEMORANDUM FOR RECORD

SUBJECT: Defense Logistics Management Standards (DLMS) Finance Process Review Committee (PRC) Meeting of March 4 - 5, 2015

Purpose: Defense Logistics Management Standards Office (DLMSO) hosted a Finance PRC meeting at a facility in in Tysons, VA and via Defense Connect Online (DCO). Sessions scheduled for March 5, 2015 were cancelled because Federal Government offices in the Washington DC area were closed due to a snow storm. Those topics will be rescheduled for a future date. A listing of attendees and all meeting related materials and briefings 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, facilitated discussion of the agenda items below.

1. **Welcome and Opening Comments.** Mr. Hammond extended his sincere appreciation to all meeting participants. With a very full agenda, participants were asked to observe meeting courtesies for keeping the meeting focused and respectful, noting that briefers were doing us a service to inform us on some difficult issues that may not be easily resolved. Mr. Hammond described the structured, disciplined DLMS change process. He 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. He discussed the Finance and Supply PRC missions and identified Web links for the Finance, Supply, DoDAAD and other PRC and working group points of contact.

2. **How Fund Codes Work**.

Mr. Hammond identified the relationship between fund code, signal code and DoDAAC in transactions. He identified the three fund code tables and explained each. The signal code identifies the ship-to party and the bill-to party. The bill-to party can either be the requisitioner, the party identified in the supplementary address field (in the case of Signal Codes A/B/J/K) or the party identified on the Fund Code to Billed DoDAAC Table (in the case of Signal Codes C/L). The Fund Code to Fund Account Conversion Table provides the line of accounting (LOA) or identifies non-Interfund billing from: 1) the Service/Agency (first character of the bill-to party DoDAAC), 2) the Signal Code Group (A/B/J/K or C/L) and 3) and the fund code in the transaction. In the case of Signal Code Group C/L, the fund code also identifies the bill-to DoDAAC for "third party billing" in the Fund Code to Billed Office DoDAAC Table. A separate table, the Table of H Series DoDAACs, identifies defense agencies with "H" series DoDAACs that are authorized to use Interfund billing. There are very few H Series DoDAACs

capable of and approved for Interfund billing; adding new ones requires DLMSO FPRC Chair and "H" series fund code monitor approval.

In a related matter, Mr. Hammond noted that current Defense Automatic Addressing System (DAAS) edits and MILSTRIP policy only requires DAAS fund code edits for Signal Codes C/L to determine if the fund code is valid on Fund Code to Billed DoDAAC Table. This is because those transactions would not be able to be routed to the bill-to party. DAAS edits are not prescribed to validate fund codes on the Fund Code to Fund Account Conversion Table for all Components. However, with the introduction of Standard Line of Accounting (SLOA), additional DAAS fund code edits will be performed for the SLOA data elements for the billed office fund code in the Fund Code to Fund Account Conversion Table. Currently, in cases with invalid or missing fund codes, the billing office may cite the default line of accounting (LOA) for the Component prescribed in MILSBILLS, Appendix 2.2 Fund Codes.   This is a concern. A separate briefing was presented by a Finance PRC Chair regarding default lines of accounting later in the meeting. Mr. Hammond proposed staffing a Proposed DLMS Change (PDC) with the Finance and Supply PRCs to introduce edits for DAAS - and for all order processing entry points where transactions do not route through DAAS (such as call centers) - to reject transactions with invalid fund codes regardless of Component. There was agreement that such a PDC should be staffed.

Action:
▪ Finance PRC Chair staff a PDC to introduce edits for DAAS - and all order processing entry points where order-initiating transactions do not route through DAAS - to reject transactions with invalid fund codes for all Components. **Suspense: May 1, 2015.**

3. Finance PRC Chair Briefing. Mr. Hammond noted that understanding DLMS/MILS processes and how they have been implemented requires a team approach, with coordination and expertise across functional areas. This is the cornerstone of the DLMS change staffing process. The discussion items below are contained in the briefing slides linked to this topic heading.

    a. **Proposed and Approved DLMS Changes**.

       (1) ADC 280 (New Type of Bill Codes for SDR & PQDR). In MILSBILLS, there is a general Billing Advice Code and Type of Bill Code for Product Quality Deficiency Reports (PQDR), Supply Discrepancy Report (SDR) and Transportation Discrepancy Report (TDR) credits. ADC 280 established new Billing Advice Codes and Type of Bill Codes for each and called for simultaneous implementation. Because simultaneous implementation is challenging, Mr. Hammond asked if staggered implementation would be possible, with Transaction Services performing conversions from the new codes back to the generic codes for Components until all have implement ADC 280. Ellen Hilert, the MILSTRIP Co-Administrator, announced that PDC 1084 will be released in the coming weeks. PDC 1084 will that Storage Quality Control Report (SQCR) credits for non-manager owned suspended assets returned to the manager be reported using Billing Advice Code 26 and Type of Bill Code WP for SQCRs instead of creating codes specific to SQCRs.

Action:
▪ Components review PDC 1084 when released and respond to staffing notes. **Suspense: TBD.**

(2) **[ADC 368](#) (Navy BRAC).** In support of Navy BRAC, ADC 368 allows DLA to requisition Navy controlled material for BRAC sites and to bill DLA. It established N _ _ DLA Series DoDAACs and Navy Fund Code (J5) for Signal Codes C/L, which is associated with DLA DoDAAC SL4701 and a DLA LOA. This process directs bills to DLA and charges them to the appropriate DLA LOA. Unfortunately, Components have not universally implemented third party billing procedures properly and bills are going to Navy in error. This leads to manual work to reverse bills or make billing adjustments. Air Force reported that the issue has been corrected. FAA is implementing Signal Code C/L capability (third party billing) as part of their modernization effort.

Action:
▪ Components report to FPRC Chair the status of full Signal Code C/L implementation within their billing and feeder systems. **Suspense: April 30, 2015**.

(3) **[ADC 1009A](#) (DOD EMALL Credit Card Bill-to).** ADC 1009A allows EMALL purchase card/credit card orders to use MILSTRIP procedures to identify a ship-to DoDAAC in the supplementary address when other than the requisitioner, vice relying clear text addressing. EMALL currently inserts the DLA EMALL bill-to DoDAAC into the supplementary address field to identify a credit card purchase, which prevents identifying a ship-to DoDAAC in the supplementary address. This change relies on third party billing (Signal Code C/L) and fund code "XP" (non-Interfund) to identify the order as a purchase card/credit order that will be billed to the credit card. Signal Code L allows a ship-to DoDAAC in the supplementary address, while directing a non-Interfund bill to DLA via the Fund Code to Billed Office DoDAAC Table. This change will be implemented when EMALL is integrated into FEDMALL along with GSA Advantage in late 2015. No similar process is in place for GSA Advantage.

(4) **[ADC 328](#), [ADC 1068](#) & [ADC 1068B](#) (Funds Availability Verification/Obligation Recording for "Offline" Processes).** Together, these ADCs implement a standard, transactional process for Component verification of funds availability and recording of the financial obligation in Component systems for orders placed outside the Component's ordering system prior to the Source of Supply processing the orders. Army has implemented this capability for DOD EMALL and GSA Advantage. Marine Corps plans to implement this capability with SABRS for DOD EMALL and GSA Advantage once FEDMALL is deployed. This capability is available to other Components and potentially for other processes lacking upfront funds verification and obligation recording (e.g., post-post bearer walk through, etc.). When deployed in an ERP, this interface will allow the requisitioning and receiving Service to develop internal procedures to support:
- ● ensuring funds are available prior to submission of the requisition;
- ● establishing Interfund bill obligations;

- validating authorized customers;
- ensuring obligations accurately reflect price;
- establishing due-ins;
- processing materiel receipts.

Actions:
- DLA, GSA and other Sources of Supply are asked to evaluate standardizing the funds verification capability for use in ordering processes where the order entry point is other than the Component ordering system. **Suspense: none, ongoing.**   - Components are asked to evaluate using the capability in their processes and systems going forward. **Suspense: none, ongoing.**

(5) ADC 1043 (SLOA - DLMS Implementation and Web Fund Code). This change Implements a Deputy Chief Management Officer (DCMO) and USD(C) mandate to carry Standard Line of Accounting (SLOA) data as discrete data elements in select DLMS transactions that initiate a financial event. It also adds select SLOA data elements needed by Treasury (that don't vary by transaction) to the Fund Code to Fund Account Table. Finally, it establishes DAAS edits to add data to DLMS transactions from the Fund Code to Fund Account Table when it is missing from an incoming transaction destined for a DLMS capable trading partner and to reject DLMS transactions with SLOA data that conflicts with the Fund Code to Fund Account Table. During discussion, it was noted that Security Cooperation Customer (SCC) Business Partner Cases for foreign partners currently cite a no-year, non-expiring Trust Fund LOA to execute cases that actually have appropriations with beginning and ending periods of availability. These transactions may not be able to satisfy the SLOA beginning and ending period of availability data requirements without transactions failing DAAS SLOA edits.

Action:
Defense Security Cooperation Agency (DSCA) and Security Cooperation Enterprise Solution (SCES) evaluate establishing fund codes for Business Partner Cases citing the correct LOA with beginning and ending periods of availability. Report findings to FPRC Chair. **Suspense: August 30, 2015.**

(6) ADC 1043A (SLOA - updates guidance for rejecting transactions). The ADC 1043A Addendum updates SLOA guidance for rejecting transactions. It was staffed in conjunction with ADC 1103 discussed below. It modifies the transaction used by DAAS for rejecting incoming transactions with invalid SLOA data to now include DLMS 824R, 870M, 870S and 842 A/W, as applicable. The DLMS 810L Logistics Bill employs the DLMS 824R.

(7) ADC 1043B (SLOA - adds "Program Year"). The program year data element was not accommodated in the initial ODCMO/OUSD(C) SLOA guidance. This data element identifies the beginning period for program execution in certain cases for no year, non-expiring funds. The business rules for the program year data element in the Business Enterprise

Architecture (BEA) prescribes that program year be carried in the "beginning period of availability" data field. However, no-year funds do not have a beginning period of availability and current BEA guidance does not accommodate a beginning period of availability for no-year funds. In coordination with ODCMO/OUSD(C), ADC 1043B was issued to prescribe that the program year data element be carried in DLMS in the beginning period of availability data field (as applicable) and to document the requirement to clarify the BEA business rules for use of the program year data element in the beginning period of availability.

Action:
▪ ODCMO/OUSD(C) complete BEA business rule update during the next periodic version update. **Suspense: TBD.**

(8) [ADC 1043C](SLOA; corrects in which DLMS ICs LOA elements are modifiable; corrects 810L). ADC 1043C corrects DLMS notes from the original ADC 1043, which erroneously allowed or omitted references to the line of accounting data elements being modifiable in certain DLMS Implementation Conventions (ICs). It also changes the DLMS 810L, Logistics Bill, 2/FA1/350 segment from "must use" to "use" to preclude transaction failure that would result from trading partners implementing at different times and transaction failure for non-Interfund bills, which may not have SLOA data.

(9) PDC 1043D UNDER DEVELOPMENT (SLOA; Sub Allocation). SLOA established sub allocation as a new data element to replace limit/subhead. Limit/subhead is a data element on the Fund Code to Fund Account Conversion Table, but it was unclear during PDC 1043 staffing if it was synonymous with sub allocation. Moreover, there is a limit of 1296 possible fund code combinations for each service code and there was concern that Components may run out of fund codes. Sub allocation has not been mapped to the limit/subhead data element on Fund Code to Fund Account Conversion Table. Micky Chopra, OUSD(C), confirmed that sub allocation is synonymous with limit/subhead and can replace it on the Fund Code to Fund Account Conversion Table.

Action:
▪ DLMSO staff PDC 1043D to map limit/subhead to sub allocation on the Fund Code to Fund Account Conversion Table and change the heading name to sub allocation. **Suspense: April 25, 2015**.

(10) [ADC 1103](SLOA - DLMS 824R to reject 810L Logistics Bills failing DAAS edits). Transaction Services uses an 824R to communicate rejected 810L Logistics Bills using narrative messages, though this was not documented in the DLMS. ADC 1103 expands the scope of the 824R to include logistics bills and addresses a number of administrative edits to better document the intended uses of the 824R. It adds reject advice codes - in addition to narratives - and documents both legacy 80 record position transaction and DLMS variable length transaction procedures in MILSBILLS C6.2.2.2.

(11) ADC 1134 (Administrative corrections to MILSBILLS). As part of researching a billing issue for DLA Energy, the Finance PRC Chair noted that the legacy DIC FJR/FJS format for Reply to Request for Adjustments for Fuel Billing and Follow-Up for Adjustments had a typographical error related to the quantity field. ADC 1143 is an administrative correction to DIC FJR/FJS format that has been in use for decades. There is no known misinterpretation of the quantity field based on the error in the DIC FJR/FJS format. However, it is significant to note that the quantity field length for fuels transactions is different than that of other transactions.

(12) ADC 1136 (Unique Item Tracking (UIT) - defers to NARA for retention time and removes IUID from 810L). ADC 1136 removes IUID capability from DLMS 810L, as the UII is not needed in the bill. It also eliminates specific reference to finance document retention periods for UIT, deferring to an approved agency records schedule or the National Archives and Records Administration (NARA) General Records Schedule. NARA is the Executive Agent with authority to set retention periods for Federal Records. These retention periods are developed jointly by NARA, the Military Department and Agency Records Officers based on input from Program Officers and business process according to the business needs of the organization. They have the force and effect of Federal law. Components must consult with their records manager regarding retention periods.

(13) PDC 1035 (Withdrawn - increased frequency of billing/Treasury reporting). PDC 1035 supports increased frequency of Interfund reporting to Treasury (vice monthly) to improve the timeliness and accuracy of the daily funds balance with Treasury. This change would require both process and system changes. During initial staffing, Components noted that there is an ongoing OUSD(C) sponsored Interfund working group on consolidating Interfund billing that must be accomplished first. PDC 1043 was withdrawn by OUSD(C) and will be re-staffed at a later time.

(14) PDC 1050A (WORKING DRAFT) - EMALL credit card failures. DLA Enterprise Business System (EBS) subsumed credit card billing and collection for EMALL and changed the billing process to align with policy. Non-Federal customers are charged at the time of order. Federal customers are charged when materiel is dropped from inventory or upon vendor delivery. Although the credit card is validated at the time of the order, the delay between order and performance for Federal customers may be problematic. At the time of billing, a credit card may no longer be valid, over its limit on that day or there may be other issues. As a result, EMALL is experiencing on average 400 credit card charge failures per month (around $350,000) and revenue recognition is delayed or lost on approximately 5% of orders. Currently, following failed attempts to manually resolve the credit card issue with the buyer and charge the customer's credit card, a customer's bill is converted a non-Interfund bill. This is not optimal. Revenue is still delayed for DLA and the customer's obligation would have been recorded against the credit card, creating billing problems in clearing the subsequent non-Interfund bill. There is not currently an automated solution using DLMS transactions to facilitate this circumstance. DLA in (conjunction with DLMSO) is evaluating potential DLMS solutions. The goals are to alert customers of credit card issues early via a DLMS transaction, resolve credit card issues to pay by credit card (if possible), potentially bill via Interfund or non-Interfund as a last resort.

Action:
▪ DLA complete draft PDC 1050A for EMALL, including documenting an interim process pending full implementation. **Suspense: June 30, 2015**.

(15) "Rolled-Up" Interfund Detail Bills.

An Interfund bill may contain a summary bill and up to 495 detail bills linked by common bill number. Current Interfund billing policy requires a single original document number in the detail bill for each line item, with item identification, unit of issue, quantity, unit cost, etc. In this way, the Interfund bill (together with supporting logistics transactions) is fully auditable at the transaction level, showing what was ordered, what was received, any supply discrepancy report adjustments, remaining balance due, what is being paid for, etc. In addition, DAAS provides a central, automated transaction repository visible to the Enterprise for audit evidentiary matter, in lieu of paper documents or emails.

However, there are scenarios for some customers and business processes, where a Source of Supply suppresses the detail lines in the bill and use a single pseudo document number for multiple line items. There are also other business processes in which an original document number for each line item is not created. In both processes, the Component may obligate and clear the rolled-up detail bill based on a pseudo document number, invalid generic NSN/part number, a quantity of 1 each, and invalid (summary) unit price. Any documentation supporting the detail bill would be manual and not contained in the Interfund bill. As these non-standard Interfund bills do not contain true detail bills, they are not auditable at the transaction level and there is no supporting policy or procedures. Neither process is compliant with DLMS.

Regarding business process in which a unique, individual document numbers for each line item ordered is not created, these appear to be primarily related to DLA Tailored Vendor Relationship processes using commercial vendor Web sites to initiate orders. To support these processes and make them compliant, DLMS transactions are able to support additional qualifiers (such as MIPR, contract, call number, contract line item, etc.) in conjunction with a unique original document number for each line item. This may require business process reengineering and a DLMS change. Moreover, there may be challenges and impediments to near term implementation.

DLA briefed a related DLA Troop Support C &E Tailored Vendor Relationship Process Improvement Initiative. This initiative seeks to correct many deficiencies with the current process and to eliminate MIPRs where possible. In this process, a customer may order via an improved MIPR process or by MILSTRIP requisition using a single requisition document number for multiple items and potentially then be billed via Interfund. This is not compliant with core MILSTIRP/DLMS, which requires a unique document number for each line item. Many concerns were expressed by meeting participants, including coordination via the prescribed DLMS change staffing process, the lack of supporting DLMS transactions in the process and the potential impact on the integrity and auditability of Interfund billing. In addition, there were concerns regarding how this process may relate to the OUSD(C)/Treasury Intra-governmental Transaction Invoice Payment Platform (IPP) strategic initiative. This initiative (which was planned to be briefed on March 5, 2015) address deficiencies in the current MIPR and IPAC

payment process that OUSD Comptroller and Treasury state are contributing to a DOD/Treasury material weakness preventing a clean audit opinion. OUSD Comptroller and ODASD Supply Chain Integration representatives expressed serious concern about this initiative and asked for a follow-on discussion.

Action:
- Components/Sources of Supply evaluate all processes where individual document numbers are used in the ordering processes, but suppressed in the detail bill. Report results to FPRC Chair, along with impediments to producing proper detail bills in the near term. **Suspense: June 30, 2015.**   - Finance PRC Chair coordinate a follow-on discussion between DLA, DLMSO, ODASD(SCI) and OUSD(C) to address concerns regarding the DLA Troop Support initiative to eliminate MIPRs that includes using a single MILSTRIP document number for multiple line items. **Suspense: May 1, 2015.**

(16) **Multi-Year Appropriations**. In the Fund Code to Fund Account Conversion Table, some fund codes rely a fiscal year indicator of # or * to allow billing office financial systems to compute the beginning and ending periods of availability from the transaction requisition date or billing date respectively. This capability allows fund codes to be reused indefinitely for each new fiscal year and it works correctly for single year appropriations. However, it is prone to error for multi-year appropriations, where the billing office is not able to accurately compute the beginning and ending POA in every case. Accordingly, the billing office Central Account Office may report incorrectly to Treasury, requiring the billed office Central Account Office to make adjustments at Treasury to record the disbursements against the correct appropriation.

As an enabler for identifying which fund codes using these # or * indicators are multi-year appropriations, the Web Fund Code application has a "multi-year indicator". Components were previously asked consider if their business processes would allow replacing the applicable fund codes with a new fund code for each multi-year LOA that would specify a numeric fiscal year indicator in place of the # or * and the true beginning and ending periods of availability. Army has largely accomplished this. Army is also working a related issue for single year appropriations to (in reverse) change single year fund codes with a numeric fiscal year specifying a single year beginning and ending period of availability to #. This is because some units do not use the correct fund code when a new fiscal year begins. In those cases, the wrong POA may be used and reported to Treasury. Since DLMS contains discrete fields for beginning and ending POA, this problem will be ultimately eliminated by DLMS implementation of SLOA by all Components, trading partners and DFAS. Of concern, DFAS systems are not yet DLMS capable.

Action:
Components report to FPRC Chair if there are sufficient fund codes to assign a unique fund code to each multi-year appropriation to support processing in a legacy environment until full DLMS implementation has been achieved, along with any impediments to doing

Action:
so. **Suspense: July 15, 2015.**

(17) **Credit Adjustment Process**. The DLMS credit adjustment process (legacy Document Identifier Code (FAE/FAR) is not being used or is not being used effectively by modernized systems. DLA, the largest Source of Supply, did not initially implement the functionality in their EBS modernization and then experienced early IDOC failures when the process was implemented. The manual process is extremely labor intensive, prone to error and does not provide audit evidentiary matter. In addition, the preponderance of requests for adjustment currently being submitted are requests by buyers for sellers to bill them in cases where the material has been received. This represents delayed revenue for the seller and may result in unused obligation authority for the buyer in the case of credits after an appropriation has expired. Component FPRC representatives were asked to initiate coordination within their Components to implement the credit adjustment process functionality in their modernized systems.

Action:
▪ Components report to FPRC Chair their implementation status for the DLMS credit adjustment process, along with target implementation timeline (if known). **Suspense: August 1, 2015**.

(18) **Default Lines of Accounting**. MILSTRIP and MILSBILLS allow use of blank fund codes. In these cases and in cases where the billing office is unable to identify the correct fund code for Interfund billing, billing office financial systems may apply the Component's default appropriation identified in MILSBILLS Appendix 2.2. When this occurs, there is additional work for the billed office, potentially requiring adjustments at Treasury. The goal is to minimize use of this process. In a related matter, DLA noted a desired change to the DLA default LOA in MILSBILLS.

Actions:
▪ FPRC Chair, in conjunction with Transaction Services, provide sample transactions to Component FPRC leads to review and determine why default lines of accounting are being used. **Suspense: August 1, 2015**. ▪ DLMSO develop an administrative change to DLMS Vol. 4, Appendix 2.2 for the DLA default line of accounting (limit 5CBX). **Suspense: August 1, 2015.**

   b. DLMS Bills Failing DAAS DoDAAC Edits. Rejected Interfund bills, primarily due to DoDAAC authority code issues, are a significant problem totaling over $33 million in one year for DLA alone. DoDAAC authority codes were established to allow Components to limit the authority/roles for some DoDAACs to less than full authority, such as bill-to or ship-to authority only. Component designated DoDAAC Central Service Points (CSPs) maintain their DoDAACs.

DAAS edits reject transactions where the DoDAAC authority code is inconsistent with its use/role in the transaction or where the DoDAAC itself is invalid - meaning that it is not contained in the authoritative DoDAAD database. However, not all orders are routed through DAAS for editing in some business processes (such as bearer walk-through, call center orders and processes linked to credit cards/fuel VILKEYS). In addition, there may be a DoDAAC authority code change after a valid order has been placed. Since all Interfund transactions are routed through DAAS for editing, Interfund bills with invalid DoDAACs or those with improper authority codes at the time of billing will fail DAAS edits.

In the case of bill failure, the seller has already recorded the revenue and must make a journal voucher entry, which is problematic and a red flag for audit. Since the bill fails DAAS edits, it is returned to the billing office and not transmitted to the billed office. A typical resolution involves finding a workable DoDAAC, which impacts billed office financial processing and may even result in a bill being routed to the wrong party. These errors lead to costly manual work for buyers, sellers, and DFAS.

DLA, in coordination with DLMSO, is drafting a PDC to establish a requirement for all Sources of Supply to perform DoDAAC edits for processes where the customer's order does not originate in the Component's ordering system and is not routed through DAAS for editing. In addition, DLA is proposing establishing automated supply status transactions to alert the requistioner of DoDAAC authority code issues prior to materiel shipment and, if not resolved, to subsequently cancel the order. Components are encouraged to develop internal procedures to evaluate orders that might be in the system and offline business process linked to DoDAACs, (such as VILKEYS) when making DoDAAC authority code changes.

Action:
▪ DLA complete the draft PDC referenced above. **Suspense: April 30, 2015.**

4. **DLA Managed Ordering Systems.**

    a. **Subsistence Total Order and Receipt Electronic System (STORES)**.

STORES is DLA Troop Support Subsistence web-based ordering system that allows customers to order and receipt Subsistence products. It supports the Subsistence Prime Vendor Program, which is a method of food distribution that employs commercial food distributors that offer exceptional services for DLA customers. Orders may be initiated within the Component's ordering system or within STORES. When orders are initiated within STORES and interface into EBS, obligations are created after the vendor has received the order. This is problematic. DLA has developed a corrective action plan to address this. Orders are at the line item level with a unique document number for each item. Customers receipt for goods within STORES and customers are only billed for what is received. A three-way match between the order, the receipt and the invoice is performed in EBS. A module within STORES enables vendors to report corrections to their invoice or to initiate resolution of potential customer receipt processing errors. Customer billing takes place in EBS. In some cases, based Component request, the detail bills may not be at the line item level.

Air Force is not currently using Interfund billing for STORES orders; however, they are currently reevaluating this in order to comply with DOD policy. A past concern was that prices may change after the order and then not match the obligation. But, STORES now bills based on the price in effect at the time of the order. If customers use the current STORES catalog for pricing when initiating orders in the Component ordering system, the obligation price will match the bill. Jennifer Kaiser, DLA finance, noted that she is the point of contact for coordinating Interfund billing within STORES.

Marines Corps reported receiving Subsistence bills citing pseudo M series document numbers that are not Marine Corps DoDAACs. These are locally assigned identifiers for shipping locations within DLA's customer master profile and USMC asked that DLA discontinue their use. Marine Corps also expressed concern regarding the lack of DLMS logistics transactions to support automated receipt processing and evidentiary matter for audit. There is also an internal Air Force process using M series document identifiers that is integral to their maintenance programs that was not addressed as part of this discussion.

Actions:

- DLA evaluate locally assigned identifiers for shipping points and initiate action with Components to coordinate assignment of legitimate DoDAACs. Report concurrently to DLMSO FPRC and DoDAAD PRC Chairs (financehq@dla.mil> and DODAADHQ@DLA.MIL). **Suspense: May 30, 2015.**
- DLA report to FPRC Chair the feasibility of initiating DLMS supply status transactions for STORES orders. **Suspense: July 30, 2015.**
- Air Force confirm that the current STORES catalog is being used for ordering through USAF systems. Report to FPRC Chair the status of initiating Interfund billing procedures for STORES orders. **Suspense: July 30, 2015.**

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   b. **Department of Defense - Electronic Mall (DOD EMALL)**.

DOD EMALL is the most robust internet ordering solution offered to the Federal Government today, supporting DOD, other Federal and non-Federal customers approved by statute, such as states and local governments. The eCommerce site supports over 3.80 million national stock numbered items and over 18.3 million commercial items supported by DLA contracts. It can be used to purchase everything from office supplies to weapon system parts. Orders may be placed using credit card or DLMS/MILSTRIP, with an interface to the MILSTIP Order Entry System (MOES) Web application. MOES provides the web-based user interface to execute MILSTRIP ordering; providing tools for form, freeform, and bulk ordering. These documents are verified and processed through DAAS for editing and routing.

DoDAAC authority codes are validated and shopping carts are scanned to prevent purchase where EMALL or customizable Component rules are not met.

Customers can track the status of their orders for DLA managed items, whether the item was ordered using DOD EMALL or not. The Material Receipt Acknowledgement (MRA) functionality in DOD EMALL allows users to report the receipt status of their orders, or Components may be systemically initiate MRAs for EMALL orders from Component systems.

Marine Corps added they plan to submit a PDC to add a receipt information copy of the EMALL MRA back to Marine Corps as part of USMC funds verification process implementation. The briefer was uncertain about the format of the MRA for external business processes using EMALL MRA functionality for TVR commercial orders that may not have a unique document number for each line item.

The funds verification process is available to verify availability of funds and record obligations in Components systems. Otherwise, customers must record the obligations outside of EMALL, which may be problematic. Navy expressed interest in exploring the funds verification process.

DOD EMALL will be integrated with GSA Advantage into a single federal mall (FEDMALL) in the near future. Functionality for providing status of commercial orders is planned for FEDMALL.

Action:
▪ DLA report to FPRC Chair any external business processes using EMALL MRA reporting functionality where an individual document number is not assigned to each line item in a commercial order, along with the format of the MRA. **Suspense: July 30, 2015.**

    c. DLA Medical Prime Vendor Program

Prime vendor is a large part of the Medical business supporting over 250 customers world-wide. The process employs Distribution and Pricing Agreements with pharmaceutical and Medical/Surgical manufactures allowing items to be sold at prices established in the agreements. There are various ways customers can order. Defense Medical Logistics Standard Support (DMLSS) Retail is the primary method. Other methods include vendor Websites, Theater Army Medical Management Information System (TAMIS), Theatre Enterprise-Wide Logistics System (TWELS), EMALL, manual orders, fax and phone. All orders are at the line item level.

The first step is that DLA's Medical Reconciliation Application distributes vendor pricing agreements to customers. Customers place orders and EBS transmits the orders to vendors on an X12 850 sales order transaction. The order awaits an 855 order acknowledgement confirming that the vendor has received the order. Within DMLSS, TWELS and TAMIS, unique requisitions are created for each line item in an order. Customers receive the items, which results in a 527R Materiel Receipt Acknowledgement to the Medical Reconciliation Application to confirm what was received. Then, vendor payment and customer billing through EBS using the 810 Logistics Bill may occur. It was not clear whether some customers have requested that detail bills be suppressed and that a single pseudo detail bill be used for multiple items.

In some scenarios for orders placed directly with vendor's website, a unique document number is not assigned for each line item to support compliant MRA reporting and Interfund billing. There may be process improvements that might be considered to support these scenarios.

Recording obligations at the line item level in Component systems may be problematic for customers when orders are placed directly into vendor Web sites or in DMLSS.

Actions:
- DLA report feasibility of creating unique document numbers for each line item in an order for orders placed through vendor Websites. **Suspense: August 1, 2015.**   - DLA report the feasibility of using of the funds verification process to confirm funds availability and recording obligations in Component systems as a future enhancement. **Suspense: September 30, 2015.**   - DLA report to FPRC Chair if any DMLSS customers are receiving "rolled-up" detail bills using a pseudo document number. **Suspense: July 15, 2015.**

5. **Air Force Topics**. Ms. Angel Sweetser briefed Air Force issues for which Air Force is seeking resolution.

   a. **Fund Code "VA"**. This fund code citing an Air Force appropriation was initially established in 2004 on under the Army service code in support of Surface Deployment and Distribution Command (SDDC). But, SDDC transitioned to Army in 2010, so this fund code is no longer needed and its continued use is problematic. This is causing rework for DLA, GSA, Air Force and Army. Air Force is seeking to coordinate removing this fund code from the Fund Code to Fund Account Conversion Table in a manner that does not impact billing reversals.

Action:
Representatives of DLA, Air Force, Army (General Fund), and GSA coordinate removing Fund Code VA from the Army service code. **Suspense: May 30, 2015.**

   b. **Reversal Requests.** Air Force reported 149 invalid Interfund bills from DLA and is seeking DLA assistance in reversing the bills. Karen Opie-Toler, DLA finance, offered to assist. Since some bills go back to 2007, it was recommended that the review be prioritized to focus first bills with funding nearing expiration and those of high dollar value.

Action:
Angel Sweetser send Karen Opie-Toler information on invalid Interfund bills for which reversal is being requested. Provide a copy to FPRC Chair. **Suspense: April 15, 2015.**

   c. **Erroneous Use of SF 1081 Voucher and Schedule of Withdrawal and Credits.**
Because obtaining a timely reversal and rebilling for Interfund bills from seller billing offices has been difficult, other Services have been sending an SF 1081 to the Air Force to charge Air Force funds in lieu of having the billing office reverse the errant bills and resubmit them to Air Force. This is problematic and not in line with MILSBILLS billing adjustment procedures. The SF 1081 transaction is reported on the DD Form 1329 Statement of Transactions According to Appropriations, Funds and Receipt Accounts instead of the DD Form 1400 Statement of Interfund Transactions. Air Force receives the DD Form 1400 cash. But, since the bill does not

route to Air Force, there are no details. This is causing problems with balancing during reconciliation. Air Force wants billed offices to request billing adjustments from the billing offices and for billing offices to perform the appropriate reversal and rebilling in a timely manner instead of using an SF 1081. FPRC Chair noted that implementation of automated billing adjustment and reply procedures using DLMS is essential.

Action:
▪ Components identify billing offices from which billing adjustments have been requested but not accomplished in a timely manner and provide specific examples. **Suspense: August 1, 2015.**

    d. **Use of DAMES**. Ms. Sweetser asked for clarification on who DAMES is intended for and under what circumstances. She noted that Air Force DFAS Central Accounts Office had lost access to DAMES in 2010. Transaction Services stated that DAMES is recommended for customers who's DoDAACs are not tied to a billing system. DAMES would provide a communications routing identifier (COMMRI) to route the transactions. There is a user guide for DAMES. Additionally, Transaction Services help desk staff can help with setting up a DAMES account and answering questions.

    e. **Non-Interfund Authority Code**. Air Force expressed interest in creating a non-Interfund authority code for DoDAACs with authority code "00", which are authorized to requisition but are not capable of Interfund billing. The current process in such cases, implemented under the ADC 110 series is for Transaction Services DAAS edits to convert the fund code for specially identified Air Force DoDAACs or DoDAAC series to the non-Interfund Fund Code XP. Mr. Hammond suggested a future discussion with Air Force and DLMSO Finance and DoDAAD PRC chairs to evaluate the Air Force concerns and explore potential solutions.

Action:
▪ FPRC Chair set up a conference call to evaluate the Air Force concerns and explore potential solutions. **Suspense: May 15, 2015.**

6. **Army Use of Interfund Billing for Contractor DoDAACs**.

Ms. Lori Peterson presented a briefing regarding Army use of Interfund billing for contractor DoDAACs, which is contrary to DOD policy cited in MILSBILLS. Mr. Hammond noted that Army is the dominate user or this practice, but that other Components have similar practices. There may be impediments to eliminating this practice to comply with MILSBILLS in the near term.

There are significant issues caused by this practice. First, the ability to distinguish government furnished materiel (GFM) from contractor furnished materiel (CFM) requisitions is lost. For GFM, the government pays and the bill-to party and should cite a government entity. For CFM,

the contractor pays and the bill-to party should cite the contractor using non-Interfund procedures. Second, Management Control Activity (MCA) validations for what the contractor is authorized to order as GFM may be circumvented, since requisitions appear to be for CFM. Only Army requires MCA validations against CFM requisitions under certain MILSTRIP procedures. Third, billing offices may not be able to correctly identify the transaction as federal versus nonfederal for financial eliminations.

In the Army practice, the requisitions cite the contractor DoDAAC as the bill-to party and an Army fund code associated with an Army LOA for Interfund billing. The contractor DoDAAC cites an Army DFAS address in the TAC 3 and directs the bill to an Army financial system COMMRI. Ms. Peterson noted that the LMP Army working capital fund ERP bills these requisitions via Interfund billing and that GCSS-Army only has Interfund billing in scope. However, DLA bills this same situation when the Army contractor DoDAAC is cited as the bill-to party according to DOD policy by billing the contractor via non-Interfund procedures. Contractors are declining to pay the bills, resulting is aged receivables.

DLMSO DoDAAD PRC Chair provided a listing of Component DoDAACs citing a DFAS address in the TAC 3, which Mr. Hammond distributed to Components prior to the FPRC meeting for their review. Mr. Hammond noted that a review of the contracts associated with the DoDAACs may be necessary to determine the business process where the DoDAAC is being used. Mr. Hammond asked that Component FPRC representative's coordinate with their Supply PRC representatives to determine if near-term changes to such business process may be made to comply with policy, to identify any impediments and to identify projected dates when these impediments might be overcome. While Army proposed changing MILSBILLS to allow contractors to be billed via Interfund, Mr. Hammond suggested that a Proposed DLMS Change documenting the Army process and requesting a temporary waiver may be more appropriate.

Mr. Hammond noted that the government entity DoDAAC may correctly be cited as the bill-to party in either the supplementary address field or in the Fund Code to Billed Office DoDAAC Table using Signal Code C or L for third party billing. The practice of citing the contractor as the bill-to party and using Interfund billing may have arisen because Fund Code to Billed Office DoDAAC Table third party billing logic may not have been properly implemented in all systems.

Action:
All Components review the listing of DoDAACs provided to them identifying a DFAS center billing address in the DoDAAC TAC 3 and report to FPRC Chair if near-term changes to these business process may be made to comply with policy, if there any impediments and projected dates when these impediments might be overcome. **Suspense: September 30, 2015.**

7. Navy Innovative Use of Web Fund Code Narrative Field. John Kupchik described how Navy is making use of the narrative field in the Fund Code to Fund Account Conversion Table to associate the fund code to internal Navy business processes. This field has been used primarily for H-series DoDAAC fund codes to specify the applicable defense agency associated with the fund code. Other Components may consider similar use of the comments field.

8. **DLMS Implementation Plans**. Mr. Hammond noted that full DLMS implementation for all Component and DFAS financial systems is essential for achieving full SLOA compliance and supporting emerging business needs. Of particular note, DFAS systems are not yet DLMS capable. Components and DFAS were asked to provide their DLMS implementation target dates. DFAS was asked to identify the action officer leading their DLMS implementation.

Action:
• Components and DFAS provide FPRC Chair their target DLMS implementation dates; DFAS additionally provide the contact information for the action officer assigned responsibility for coordinating DLMS implementation of DFAS systems. **Suspense: April 30, 2015.**

9. **Concluding Remarks**. The original agenda anticipated a two day meeting which was reduced to one day due to closure of federal government offices in the Washington capital region on March, 5, 2015. Deferred topics, along with links to the associated briefings, are at Enclosure (1). The FPRC Chair will reschedule these topics for one or more future FPRC meetings.

Next Meeting: Future Finance PRC meetings, including focused topic meetings, will be scheduled as needed.

ROBERT HAMMOND
Chair, DOD Finance PRC

Approved:
DONALD C. PIPP
Director,
Defense Logistics Management
Standards Office

ENCLOSURE 1: Deferred Agenda Topics

1. **DLMS Implementation Status/Progress**.

2. **DLMS Status Review Briefing**.

3. **Comptroller/Treasury/DFAS GWA**. The briefings below incorporate the following topics:

    - Introduction to Cash Accountability and Traceability Work Group.
    - Financial Audit Readiness.
    - Interfund Working Group Update.
    - Improving Daily Funds Balance With Treasury – Daily Reporting.
    - Treasury Disbursing Office Planning.
    - Invoice Processing Platform.
    - Financial Management Regulation – Audit Related Updates.
    - Treasury Direct Reporting.

    a. **Update on GWA – Treasury Central Accounts Reporting System**.

    b. **Standard Line of Accounting Update**.

    c. **Joint Interoperability Test Command**.

4. **The Art of Logistics Video**.

5. **Tour of DLMSO Website**.

6. **How Fund Codes Work**.

7. **DLMS Finance Training Module 4F**.

8. **Overview of Select Transaction Services Web Resources**.

9. **Overview of DLMS 810L Logistics Bill**.

10. **Federal Agency Briefings**