



DEFENSE LOGISTICS AGENCY  
HEADQUARTERS  
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IN REPLY  
REFER TO

August 19, 2013

MEMORANDUM FOR SUPPLY DISCREPANCY REPORT (SDR) PROCESS REVIEW  
COMMITTEE AND STOCK READINESS COMMITTEE

SUBJECT: Joint Supply Discrepancy Report (SDR)/Stock Readiness Committee Meeting:  
Defense Logistics Agency (DLA)-Managed, Service-Owned Suspended Stock,  
SDR/Storage Quality Control Report (SQCR) Process Meeting, July 31, 2013

The attached minutes are forwarded for your information and action as appropriate.

The DLA Logistics Management Standards Office point of contact is Ms. Ellen Hilert, DOD SDR Committee Chair, (703) 767-0676 (DSN 427); email [ellen.hilert@dla.mil](mailto:ellen.hilert@dla.mil). The DLA J33 points of contact are Ms. Vickie Edgar, Stock Readiness Committee Chair, 703-767-6582 (DSN 427), [vickie.edgar@dla.mil](mailto:vickie.edgar@dla.mil), and Jacquelyn Salus, Stock Readiness Committee Co-Chair, 703.767.2686 (DSN 427), [jacquelyn.salus@dla.mil](mailto:jacquelyn.salus@dla.mil).

DONALD C. PIPP  
Director  
DLA Logistics Management  
Standards Office

Attachment  
As stated

cc:  
Attendees  
Supply PRC



August 19, 2013

MEMORANDUM FOR RECORD

SUBJECT: Joint Supply Discrepancy Report (SDR)/Stock Readiness Committee Meeting:  
Defense Logistics Agency (DLA)-Managed, Service-Owned Suspended Stock, SDR/  
Storage Quality Control Report (SQCR) Process Meeting, July 31, 2013

**Purpose:** DLA J33 and the DLA Logistics Management Standards Office jointly hosted the subject meeting at DLA Headquarters in Ft. Belvoir, Virginia. This was a focused topic meeting specific to new procedures being proposed for handling suspended stock managed by DLA and owned by the Services. A list of attendees and briefing materials are available on the SDR Committee PRC Webpage: [www.dla.mil/j-6/dlmsso/Programs/Committees/Supply/supplySDR.asp](http://www.dla.mil/j-6/dlmsso/Programs/Committees/Supply/supplySDR.asp).

**Brief Summary of Discussion:** Ms. Vickie Edgar, Ms. Jackie Salus, and Ms. Ellen Hilert presented the background and step-by-step process for the proposed procedures. This issue was originally brought up at the Stock Readiness meeting in November 2012. Subsequently, DLA personnel conducted a series of internal meetings to develop the proposal for presentation to the Services.

**a. Draft PDC 1084, New Procedures for DLA- Managed Service-Owned Suspended Stock Stored in DLA Distribution Locations.** This proposed change allows credit to be issued under the SDR program for Service-owned/DLA-managed suspended stock stored at a DLA Distribution location when a stock screening request (SSR) results in identification of suspected non-compliant materiel. This change leverages existing procedures for processing of the SSR, SQCR, and SDR to accomplish the necessary steps with minimal system impact. The intent is for the original SSR number, and PQDR number when applicable, to be perpetuated throughout the process to provide traceability. By restricting the necessary system changes, it is hoped that this change could be implemented in the near term.

**(1) Process Background.** When DLA submits an SSR to DLA Distribution locations, all stock under DLA Distribution visibility is screened regardless of ownership. A manager may request the stock screening action during evaluation of a product quality deficiency report or other suspected contractor non-compliance. When stock is screened, if there are multiple owners, stock under DLA ownership will be suspended first. Any remaining stock will be divided equally among the remaining owners. The SSR is systemically directed to all locations that employ the DLA Distribution Standard System (DSS), including industrial activities/partner sites, simultaneously. When an SSR results in identification of suspected non-compliant materiel, stock is suspended and an SQCR, DD 1225, is sent to the owner(s) for disposition. Non-DLA owners may not know why their materiel is suspended and may not provide disposition instructions. As a result, the materiel remains in a suspended condition indefinitely. Furthermore, when this type of materiel is non-compliant, non-DLA owners do not have recourse for action against the contractor since the materiel was bought under a DLA contract. DLA is the contracting authority and has the responsibility to negotiate returns/credit with the contractor.

## **(2) Proposed Process**

(a) When DLA Distribution locations receive an SSR from the DLA Supply Chain and the result is downgrading stock to an unserviceable Supply Condition Code J, L, or Q, the DLA Distribution location will submit an SQCR to the Service owners with instructions for an SDR to be submitted to DLA. The Service owner SDR submission will request credit and provide the following information:

**1.** The original document number or a constructed document number (when the original document number is not known). When using a constructed document number, the applicable fund code must also be provided and the DoDAAC to receive credit if different from the document number.

**2.** New Discrepancy Code Q23, Suspended stock screen item (quality deficiency or contractual non-compliance).

**3.** The SSR number referenced on the SQCR.

(b) If the investigation associated with the SSR is still pending, the DLA Supply Chain will submit an interim reply to the SDR. [Creation of an interim reply is not current functionality for DLA Enterprise Business System (EBS) and may require a delayed implementation if DLA WebSDR direct input is not used as an interim measure. Components would need to be aware that this could result in SDRs remaining in an open status for very long periods of time with no indication that they have been received and that investigation is underway.] If the materiel is determined to be conforming, no credit will be provided, and the owner will be told via SDR reply to return the materiel to stock in serviceable condition. If materiel is determined to be non-conforming, credit will be provided, and the owner will be told via SDR reply to return the materiel to DLA using a ship-to-self materiel release order (MRO) directed to the DLA Distribution location. DLA will provide a prepositioned materiel receipt to the DLA Distribution location to ensure proper processing of the resulting receipt. The ship-to-self MRO will transfer ownership without physical movement of the materiel. The SDR reply will also tell the materiel owner to close out the open SQCR by direct response to the submitting activity. When the non-conforming materiel is returned to DLA, the DLA Distribution location will create a new SQCR to DLA as the new owner and reference the original SSR number. DLA will then provide appropriate disposition instructions to close the “follow-on” SQCR. An updated process flow is shown at the enclosure.

## **(3) Action Items:**

(a) Ms. Hilert requested an estimated volume of materiel effected by this issue as a justification for the PDC. DLA Distribution has been asked to determine the volume/dollar-value of DLA-managed/Service-owned materiel in suspended stock due to an SSR.

(b) The Services were asked to confirm that there is a requirement to identify a separate DoDAAC to receive credit when using a constructed document number (would two different DoDAACs ever be involved for this process).

(c) It was reiterated during the discussion that this process is only for DLA-managed/Service-owned stock located in activities supported by DSS. There is a parallel process for

DLA-managed materiel sold to Components and stored at a retail Service location. The retail process needs to be discussed in the finalized PDC with clarification as to why this process cannot be applied to the materiel held in DLA Distribution locations. DLA J33 will provide this information.

(d) Although proposed for initial implementation for DLA-managed materiel, this process could have applicability to Service-managed materiel. The PDC will be documented to allow for expanded use, and the Services were asked to evaluate this process for their own use. There is an initiative to enhance the SSR and SQCR processes under DLMS using a centralized DLA Transaction Services hub and web-based input comparable to DoD WebSDR. This will facilitate implementation of the proposed process by the Services.

(e) It is not clear if materiel suspended under this process can be retained in industrial activities/partner sites pending resolution of the evaluation process. The Services were asked to weigh in on this step. The alternative is to physically move this subset of materiel to a depot location while retaining Service ownership.

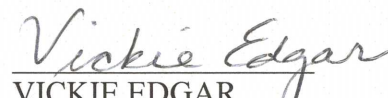
**(f) Recommended Process Flow Updates**

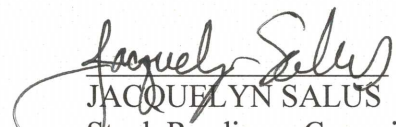
1. Insert a step before Step 1 showing why the SSR was issued (i.e. “Deficiency identified.”). (Complete)

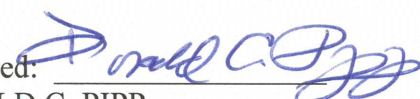
2. Separate Step 14 into two parts since these are technically two transactions. (Complete)

**Wrap up.** Ms. Hilert and Ms. Edgar thanked the Components for their participation in the meeting. Once the recommended updates are made to the PDC 1084 and the accompanying flow diagram, the PDC will be formally staffed. A second joint meeting is not anticipated unless warranted for comment resolution.

  
ELLEN HILERT  
DOD SDR PRC Chair

  
VICKIE EDGAR  
Stock Readiness Committee Chair

  
JACQUELYN SALUS  
Stock Readiness Committee Co-Chair

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

# Proposed Process for Issuing Credit for Serviced-owned DLA-managed Suspended Stock Resulting from a DLA-initiated Stock Screening Action

