**C7. CHAPTER 7**

**INVENTORY ADJUSTMENTS**

C7.1. GENERAL

 C7.1.1. Purpose

 C7.1.1.1. Adjustment/Change Procedures. This chapter provides procedures relating to the following types of adjustment and change actions:

 C7.1.1.1.1. Adjustments caused by catalog change actions.

 C7.1.1.1.2. Reidentification of improperly identified materiel.

 C7.1.1.1.3. Offsetting adjustments to purpose and condition codes.

 C7.1.1.1.4. Discrepancies disclosed by physical inventory.

 C7.1.1.1.5. Discrepancies disclosed by physical inventory due to unique item identifier (UII) and/or serial number mismatch.[[1]](#footnote-1)

 C7.1.1.1.6. Ownership gains and losses applicable to the Single Manager for Conventional Ammunition (SMCA).

 C7.1.1.2. This chapter also provides procedures relating to the Asset Reclassification transaction

 C7.1.1.3. There are additional processing procedures over and above those contained in this chapter that must be applied for items identified as serially managed materiel requiring owner visibility at DLA Distribution Centers. The identity of the materiel and the additive procedures are in Chapter 30.

 C7.1.2. Transactions. This chapter addresses the procedures applicable to the inventory adjustment function using the DLMS 947I, and the asset reclassification function using the DLMS 846A. DLMS 947I has corresponding Military Standard Transaction and Accountability Procedures (MILSTRAP) legacy transactions. The DLMS 846A is a DLMS enhancement with no corresponding MILSTRAP transaction.

 C7.1.2.1. Inventory Adjustment. The inventory adjustment function is identified by the DLMS 947I, Accredited Standards Committee (ASC) X12 beginning segment (1/W1505/0200) Transaction Type Code NU – Inventory Adjustment. The Defense Logistics Standard System (DLSS) MILSTRAP legacy 80 record position transaction functionality identified by document identifier codes (DIC) is included for information purposes in a mixed DLMS/DLSS environment. Other formats, such as extensible markup language (XML) are also available. See the Defense Enterprise Data Standards Office Website for available formats on the DLMS IC page.

 C7.1.2.1.1. The inventory adjustment function encompasses increases, decreases, or dual adjustments. This relates to MILSTRAP legacy DICs D8\_ (increase), D9\_ (decrease), or DAC/DAD/DAS (dual adjustment), respectively.

 C7.1.2.1.2. Inventory adjustments are further broken down by the DLMS 947I, ASC X12 warehouse adjustment item detail segment (2/W1901/0200) Quantity or Status Adjustment Reason Code. The quantity or status adjustment reason codes correlate to the 3rd position of MILSTRAP legacy DICs D8\_/D9\_ or DAC/DAC/DAS as identified in Table C7.T1:

| Table C7.T1. DLSS DIC/DLMS Quantity Or Status Adjustment Reason Code Correlation |
| --- |
| W1901 Quantity or Status Adjustment Reason Code | Explanation | CorrespondingMILSTRAP legacy DIC |
| AA | Inventory Adjustment (Physical Inventory). Gain or loss disclosed as a result of physical count of stock, single adjustment. | D8A or D9A |
| AB | Inventory Adjustment (Accounting Error). Gain or loss resulting from clerical or automated information system errors which are not subject to correction by reversal of original transaction, single adjustment. | D8B or D9B |
| AC | Inventory Adjustment (Condition). Gain, loss or dual adjustment resulting from condition transfer. | D8C or D9C or DAC |
| AD | Inventory Adjustment (Purpose). Gain, loss or dual adjustment resulting from purpose transfer. | D8D or D9D or DAD |
| AK | Inventory Adjustment (Logistics Transfer). Gain or loss of item management responsibility as a result of logistics transfer. | D8E or D9E |
| AL | Inventory Adjustment (Capitalization). Gain to, or loss from, a stock fund or stock fund division at time of activation or subsequent extension/ expansion, as result of capitalization, | D8F or D9F |
| AJ | Inventory Adjustment Decrease (Survey Process). Loss from shrinkage, theft contamination, deterioration, and/or expired shelf life, single adjustment. | D9G only |
| AI | Inventory Adjustment Decrease (Disaster). Loss from major disasters, fire loss, enemy action, act of God, etc., single adjustment. | D9H only |
| AE | Inventory Adjustment (Reidentification). Gain resulting from inspection of an item in stock which has been misidentified, single adjustment. | D8J or D9J |
| AF | Inventory Adjustment (Stock Number Changes). Gain or loss resulting from stock number change. Excludes change of unit price only. | D8K or D9KInventory Adjustment (Catalog Changes). Gain or loss resulting from stock number and/or unit of issue changes, single adjustment. Excludes change of unit price only. |
| AN | Inventory Adjustment (Unit of Issue Changes). Gain or loss resulting from unit of issue changes. Excludes change of unit price only. |
| AG | Inventory Adjustment (Ownership). Gain, loss, or dual adjustment resulting from ownership transfer by the single manager conventional ammunition (SMCA). Use is restricted to users of the conventional ammunition system. | D8S or D9S or DAS |
| AH | Inventory Adjustment (Other). Gain or loss for which a specific code is not otherwise provided. (Assignor of code will maintain detailed intelligence pertaining to its use and, as required, will furnish these data.) | D8Z or D9Z |
| AM | Inventory Adjustment (UII and/or serial number missing). Gain, loss or dual adjustment resulting solely from UII and/or serial number missing.[[2]](#footnote-2) | Not applicable to legacy MILSTRAP |
| AQ | Inventory Adjustment (UII and/or serial number mismatch). Gain, loss, or dual adjustment resulting solely from UII and/or serial number mismatch.[[3]](#footnote-3) | Not applicable to legacy MILSTRAP  |

 C7.1.2.2. Asset Reclassification. The Asset Reclassification transaction is a DLMS enhancement and there is no corresponding MILSTRAP transaction or function. A DLMS 846A Asset Reclassification is used for the following transaction functions identified by DLMS 846A ASC X12 beginning segment (1/BIA02/020) Report Type Codes:

 C7.1.2.2.1. Asset Reclassification Request Transactions. Asset reclassification transactions are identified by Report Type Code TE. Owners use this function for asset reclassification request transactions and asset reclassification follow-up transactions. The types of asset reclassification requests, as well as the asset reclassification request follow-up transaction, are further delineated by a variety of 1/BIA06/020 action codes.

 C7.1.2.2.2. Asset Reclassification Denial Transaction. The Asset Reclassification Denial transaction is identified by Report Type Code TD. Storage activities generate this transaction. Asset reclassification request denial codes identify the reason a request was denied. Asset Reclassification Response Denial transactions (Action Code DE), must also cite the Asset Reclassification Denial Code at either 2/LQ01/260/ARD or 2/LQ01/376/ARD, as appropriate. (No reasons for denial have been identified for asset reclassification requests associated with SCC reclassification.)

 C7.1.2.2.3. Asset Reclassification Extension Request Transaction. The asset reclassification extension request transaction is identified by Report Type Code AR. Storage activities generate this transaction.

 C7.1.2.2.4. Asset Reclassification Extension Response Transaction. The asset reclassification extension response transaction is identified by Report Type Code AX. Owners generate this transaction.

 C7.1.3. Adjustment Actions. DLMS provides two methods for effecting adjustments–single or dual actions.

 C7.1.3.1. Single Adjustment. The single adjustment method accommodates processing techniques that use individual increase or decrease adjustment actions against the accountable and owner records.

 C7.1.3.1.1. Increase. Identify single increase adjustments by using DLMS 947I ASC X12 warehouse adjustment item detail segment (2/W1916/0200) Inventory Transaction Type Code AJ – ‘Inventory Adjustment’ (legacy DIC D8\_.)

 C7.1.3.1.2. Decrease. Identify single decrease adjustments by using DLMS 947I ASC X12 warehouse adjustment item detail segment (2/W1916/0200) Inventory Transaction Type code AD – ‘Inventory Adjustment – Decrease’ (legacy DIC D9\_.)

 C7.1.3.2. Dual Adjustment. The dual adjustment method provides for offsetting adjustments to condition or purpose code in a single adjustment transaction. Identify dual inventory adjustments by using DLMS 947I ASX X12 warehouse adjustment item detail segment (2/W1916/0200) Inventory Transaction Type Code DU – ‘Inventory Adjustment – Dual’ (legacy DIC DAC, DAD, or DAS.)

 C7.1.3.3. Single Transaction Prescribed. When the DoD Component practice prescribes the use of single adjustments internally for condition or purpose transfer, make provisions to accept and process dual adjustments from other DoD Components for condition or purpose transfer.

 C7.1.4. Ownership/Purpose Code Changes. Changes between ownership codes, from purpose code to ownership code, or from ownership code to purpose code, will not be made by an adjustment action. Process appropriate issue and receipt transactions to make the necessary accounting actions. ***For the ship-in-place process, a pre-positioned materiel receipt (PMR) must be provided prior to submitting the materiel release order (MRO).*** An exception to this rule is the use of dual or single inventory adjustment transactions to accomplish ownership gain/loss under the SMCA concept ***identified in*** C7.3.

 C7.1.5. Project Code Changes. Accomplish changes in project or distribution codes maintained on the owner record by using individual increase or decrease materiel adjustment transactions with the appropriate quantity or status adjustment reason code (other than Quantity or Status Adjustment Reason Code AA (Physical Inventory) (legacy DIC D8A/D9A)).

 C7.1.6. Clerical/Automated Accounting Errors. Submit inventory adjustments resulting from clerical or automated information system errors that cannot be corrected by reversing the original transaction or from reconciliation between the storage activity and the owner using an Inventory Adjustment transaction with Quantity or Status Adjustment Reason Code AB (Accounting Error) (legacy DIC D8B/D9B).

 C7.1.7. Nonspecific Inventory Adjustments. Use the Inventory Adjustment transaction with Quantity or Status Adjustment Reason Code AH (Other), to accomplish an adjustment increase or decrease when a quantity or status adjustment reason code is not otherwise provided. (The DoD Components will maintain detailed backup information as to use and requirement for the transaction.)

 C7.1.8. Specific Inventory Adjustments. The Inventory Adjustment transaction with Quantity or Status Adjustment Reason Code AJ (Survey) will be used to report inventory adjustments resulting from shrinkage, theft, contamination, deterioration, and expired shelf-life. Losses resulting from major disasters, fire, enemy action, acts of God, etc., will be identified by Quantity or Status Adjustment Report Code AI (Disaster).

C7.2. CHANGES IN SUPPLY CONDITION OF MATERIEL

 C7.2.1. Supply Condition Reclassification of Assets in Storage

 C7.2.1.1. Reporting Classification Variance to Owners. When inspection of stocks on hand reveals that a SCC reclassification is required, storage activities will report the variance to the owner within 3 calendar days using a dual Inventory Adjustment Transaction for SCC change (Inventory Adjustment with Quantity or Status Adjustment Reason Code AC (Condition Change) or legacy DIC DAC) for the affected condition codes.

 C7.2.1.2. Changing Suspect Stock to SCC J. When immediate reclassification of suspect stocks is beyond current capabilities, transfer the materiel to SCC J using a dual inventory adjustment for SCC change (Inventory Adjustment with Quantity or Status Adjustment Reason Code AC (Condition Change) or legacy DIC DAC) for the affected condition codes.

 C7.2.1.2.1. Reclassification Timeframe for SCC J. With the exception of explosive and inert ammunition, complete the materiel reclassification of materiel reported in SCC J within 80 calendar days after reporting the change to the owner. Owner/managers will provide timely disposition instructions for materiel in a suspended condition to promote rapid reclassification of materiel (with a maximum of 50 days for provision of owner/manager disposition instructions and 30 days for storage activity reclassification). Complete the reclassification of explosive and inert ammunition within 270 calendar days after reporting the change.

 C7.2.1.2.2. Reporting Completion of Reclassification. When the reclassification is complete, report the change to the owner using dual Inventory Adjustment Transaction for SCC change (Quantity or Status Adjustment Reason Code AC (Condition Change) or legacy DIC DAC. Use the same document number used to report the materiel in SCC J.

 C7.2.2. Reclassification of SCC Q (Suspended) Product Quality Deficiency Related Materiel

 C7.2.2.1. Storage Activities will report discrepant receipts in SCC Q as prescribed by Chapter 13, receipt procedures. When directed by the owner, storage activities will also transfer stored, including suspended, materiel to SCC Q and report the action using a dual inventory adjustment transaction following C7.2.1.1.

 C7.2.2.2. When inspection or technical/engineering analysis of materiel confirms a product quality deficiency, possibilities for other use of the materiel within the Department of Defense, as well as public health/safety and national security interests, must be considered. Owners will determine if further use of the item can be made within the Department of Defense.

 C7.2.2.3. When inspection of technical/engineering analysis of materiel indicates that litigation action is required, the owner will direct transfer of the materiel to SCC L.

 C7.2.2.4. If the deficiency does not prohibit further DoD use (i.e., the defect is minor or the item meets specifications for another national stock number (NSN)), owners will direct storage activities to re-identify and/or transfer the suspended SCC Q materiel to the appropriate condition. Storage activities will, within 3 calendar days from receipt of the ICP direction, reclassify the SCC Q materiel to the appropriate condition. Report completion of this action with an Inventory Adjustment transaction, using the same document number originally used to report the materiel in SCC Q (i.e., the document number of the original receipt or inventory adjustment transaction). For re-identifications, storage activities will follow the procedure in C7.7.

 C7.2.2.5. If the deficiency prohibits further DoD use, the materiel will remain in SCC Q and owners will direct transfer of the materiel to the DLA Disposition Services Field Offices following Chapter 16 procedures. Improperly documented, unauthorized source, defective, non-repairable, and time-expired Aviation CSI/FSCAP materiel that is not mutilated by the holding activity will be directed to the DLA Disposition Services Field Office in SCC Q with Management Code S. All such materiel will be mutilated. When turning such Aviation CSI/FSCAP materiel in to a DLA Disposition Services Field Office, the turn-in document must clearly note that the part is defective, non-repairable, time-expired, or otherwise deficient and that mutilation is required.

 C7.2.3. Reclassification of SCC L Receipts

 C7.2.3.1. Storage Activity Reporting. Storage activities will report discrepant receipts from procurement and materiel held pending resolution of a transportation discrepancy in SCC L as prescribed by Chapter 13. When directed by the owner (C7.2.8.), storage activities will also transfer materiel to SCC L and report the action using a dual adjustment transaction following the procedures in C7.2.1.

 C7.2.3.2. Materiel Owner Responsibilities. Owners are responsible for monitoring materiel suspended in SCC L and directing change of the materiel to its correct condition when litigation or other action to resolve the discrepancy is completed using an Asset Reclassification Request transaction in accordance with C7.2.6. If inspection or technical/engineering analysis confirms that a product quality deficiency prohibits further use of the materiel within the Department of Defense, the owner will direct transfer of the materiel to SCC Q.

 C7.2.3.3. Reclassification Procedures. When directed by the owner, storage activities will, within 3 calendar days from receipt of an asset reclassification request, reclassify the suspended materiel to its correct SCC. Report completion of action with an Inventory Adjustment – Dual (SCC Change) using the same document number originally used to record the materiel in SCC L (i.e., the document number of the original receipt or inventory adjustment transaction). See C7.2.8. for storage activity asset reclassification denial procedures when requested reclassification action cannot be done.

 C7.2.4. Reclassification of SCC K and SCC R Receipts

 C7.2.4.1. Suspension of Materiel. Under Chapter 13, Materiel Receipt processing procedures, storage activities may suspend materiel in SCC K upon receipt for SCC determination. Storage activities may also receive materiel identified as SCC R (suspended) from reclamation activities that lack the capability to determine the materiel condition.

 C7.2.4.2. Storage Activity Actions. Storage activities will reclassify these suspended receipts to their correct condition within the timeframes prescribed in the following paragraphs. When materiel has been reclassified to its correct condition, the storage activity will send an Inventory Adjustment Transaction – Dual for SCC change (Quantity or Status Adjustment Reason Code AC (Condition Change) (legacy DIC DAC)) to the owner using the same document number cited in the original receipt transaction.

 C7.2.4.2.1. Reclassification Timeframe for SCC K Suspended (Returns). With the exception of ammunition, complete the reclassification of materiel reported in SCC K within 80 calendar days after reporting the discrepant receipt via SDR. Owner/managers will provide timely disposition instructions for materiel in a suspended condition to promote rapid reclassification of materiel (with a maximum of 50 days for provision of owner/manager disposition instructions and 30 days for storage activity reclassification). Reclassify explosive and inert ammunition within 45 calendar days after reporting the receipt.

 C7.2.4.2.2. Reclassification Timeframe for SCC R Suspended (Reclaimed Items, Awaiting Condition Determination). When materiel identified as SCC R is received from reclamation activities, reclassify the materiel within 180 calendar days after reporting the receipt or prior to induction into maintenance facilities for repair/modification, whichever is sooner.

 C7.2.4.2.2.1. No Asset Test Capability. When the capability to test/check SCC R assets for actual condition does not exist, the materiel may be forwarded to a maintenance facility for condition determination.

 C7.2.4.2.2.2. Property Accountability Records. The actual condition of assets must be recorded on the owner record before the assets may be included in a scheduled maintenance program.

 C7.2.5. Reclassification of SCC X[[4]](#footnote-4)

 C7.2.5.1. Storage Activity Reporting. Storage activities will report receipts in SCC X as prescribed by Chapter 13, Receipt Procedures. When directed by the owner, storage activities will reclassify stored, including suspended, materiel to SCC X and report the action using a dual inventory adjustment transaction following C7.2.1.1.

 C7.2.5.2. Owner Responsibility

 C7.2.5.2.1. Owners are responsible for reviewing materiel in SCC X on a semi-annual basis to ensure continued efforts on the development of a repair process by the technical/engineering/maintenance analysis team. The owner will direct reclassification to the appropriate condition upon a determination that repair will not be pursued.

 C7.2.5.2.2. The owner must exercise caution in directing issue of materiel stored in SCC X to ensure materiel is issued in the appropriate condition when required.

 C7.2.5.2.2.1. SCC X materiel will not be issued to the end user/customer.

 C7.2.5.2.2.2. The owner must request reclassification to the appropriate condition prior to disposal action.

 C7.2.5.2.2.3. Materiel may be issued to repair in SCC X only when the repair activity is operated by the same Service as the owner. Otherwise, materiel must be reclassified to the appropriate condition prior to issue.

 C7.2.5.3. Reclassification Procedures

 C7.2.5.3.1. SCC X materiel will not be reclassified by the storage activity except as directed by the owner. When directed by the owner, storage activities will, within 30 calendar days from receipt of an asset reclassification request, reclassify the suspended materiel to its correct SCC. The storage activity will report completion of reclassification action with an Inventory Adjustment – Dual (SCC Change).

 C7.2.5.3.2. Pending implementation of the DLMS transaction enhancement (DLMS 846A Reclassification) to request supply condition code reclassification, the owner will request reclassification via email to provide an audit record. The storage activity will confirm receipt of the email, thus establishing a beginning date for the reclassification time standard.

 C7.2.6. Automatic Disposal of Reclassified Stock. When materiel is reclassified to SCC H, storage activities may also, based on criteria promulgated by the DoD Components, automatically turn condemned and expired shelf-life materiel in to DLA Disposition Services or take other authorized automatic disposal action. Advise the owner of such simultaneous reclassification and automatic disposal action by entering Management Code M (materiel condemned–excludes expired shelf-life materiel) or Management Code T (materiel condemned–expired shelf-life materiel) in the inventory adjustment transaction. Refer to C13.2.8.2.10.1. for exclusions from automatic disposal.

 C7.2.7. Exceptions to Prescribed Timeframes for SCC Reclassification – Request for Reclassification Extension

 C7.2.7.1. Requesting Extensions to a Suspense. When additional time is needed to reclassify materiel held in SCC J, K, or R, because of large quantities, lack of facilities, nonavailability of personnel and/or test equipment, or other circumstances considered justified by the storage activity commander, the storage activity will forward a DLMS 846A Asset Reclassification Extension Request to the owner.

 C7.2.7.1.1. Approval of Extension Requests. When appropriate, the owner will use the Asset Reclassification Extension Response to approve the extension request, notify the storage activity, and establish a suspense to ensure that classification action is taken within the agreed upon timeframe.

 C7.2.7.1.2. Disapproval of Extension Requests. If the owner does not approve the request for extension, they will send an Asset Reclassification Extension Response to the storage activity disapproving the request. The storage activity will make every effort to comply with the established timeframe.

 C7.2.7.2. Reclassification. Owners may submit Asset Reclassification Request Transactions in accordance with C7.2.8. to request hastened reclassification of SCC J, K, and R assets whenever it is deemed necessary based on their stock position and overall management responsibility.

 C7.2.8. Monitoring Assets Recorded in Suspended SCCs

 C7.2.8.1. SCC J, K, and R. Owners will review records for all materiel suspended in SCC J, K, and R at least monthly and ensure that storage activities accomplish reclassification actions within prescribed timeframes.

 C7.2.8.2. SCC L. Although there is no prescribed timeframe for transferring suspended materiel from SCC L, owners will review all records for materiel suspended in SCC L at least quarterly and will take necessary action to ensure expeditious litigation/negotiation with contractors or common carriers.

 C7.2.8.3. SCC Q. Although there is no prescribed timeframe for transferring suspended materiel from SCC Q, supply sources will review all records for materiel suspended in SCC Q at least monthly. Supply sources will take necessary action to ensure expeditious inspection or technical/engineering analysis of suspect assets and prompt transfer of assets, under C7.2.2., based on the inspection results.

 C7.2.8.4. SCC X. Although there is no prescribed timeframe for transferring suspended materiel from SCC X, owners will review all records for materiel suspended in SCC X at least semi-annually to ensure expeditious development of a repair process.

 C7.2.9. Asset Reclassification Request, Follow-up and Response Associated with Request for SCC Reclassification

 C7.2.9.1. Asset Reclassification Request, Follow-up and Denial Transaction Procedures. This section prescribes standard procedures for use of Asset Reclassification Request, Follow-up, and Denial transactions. Procedures for using Asset Reclassification Extension Request and Asset Reclassification Extension Response transactions are addressed in C7.2.6.

 C7.2.9.2. Owner Responsibilities. As discussed in C7.2.7, owners are responsible for monitoring assets in suspended SCCs. Owners use the Asset Reclassification Transaction to request that the storage activity effects reclassification of assets in suspended SCCs. Reasons for sending an DLMS 846A, Asset Reclassification request to the storage activity for SCC reclassification are:

 C7.2.9.2.1. Expedite SCC Reclassification. Owner/manager requirement for storage activity to expedite SCC reclassification action. Only the current SCC is identified in the transaction. (Identified by DLMS 846A, ASC X12 beginning segment (1/BIA06/20) Action Code 23.)

 C7.2.9.2.2. Resolution of SCC Suspension. Owner/manager resolution of a suspension (e.g., completion of litigation or technical inspection). Both the ‘from’ and ‘to’ SCCs are identified in the transaction. (Identified by DLMS 846A, ASC X12 beginning segment (1/BIA06/20), Action Code 62.)

 C7.2.9.2.3. SCC Reclassification Timeframe Expired. Owner/manager uses when the storage activity is responsible for the SCC reclassification action, the timeframe has expired, and the owner did not receive a corresponding adjustment, reclassification denial, or request for an extension transaction from the storage activity. Only the current SCC is identified in the transaction. (Identified by DLMS 846A, ASC X12 beginning segment (1/BIA06/20), Action Code 86.)

 C7.2.9.3. Storage Activity Actions. In response to an Asset Reclassification Request Transaction, the storage activity will take action to reclassify the materiel in the timeframe specified and provide an Inventory Adjustment Transaction to the owner. If the storage activity is not able to effect the reclassification action, the storage activity will submit an Asset Reclassification Denial Transaction citing the appropriate Asset Reclassification Denial Code to explain the reason for the denial. If the reclassification action cannot be accomplished in the timeframe specified, the storage activity will submit an Asset Reclassification Extension Request in accordance with C7.2.6.

 C7.2.9.4. Owner Use of Asset Reclassification Follow-up. Owners send the Asset Reclassification Follow-up Transaction to the storage activity to obtain status of a previously submitted asset reclassification request when the owner did not receive a corresponding Inventory Adjustment or Asset Reclassification Denial Transaction. In response to a follow-up, when the corresponding inventory adjustment was previously provided, the storage activity will resubmit the inventory adjustment transaction with Advice Code 3P indicating it is a duplicate of a previously submitted transaction sent in response to the follow-up. Caution must be used by recipient to assure the transaction is not processed twice.

C7.3. OWNERSHIP GAINS AND LOSSES

 C7.3.1. Change of Ownership. Based on unique requirements of the SMCA and the DoD Components authorized by DoD Directive 5160.65, “Single Manager for Conventional Ammunition”, August 1, 2008, separate Inventory Adjustment (Ownership Transfer) transactions have been developed to permit:

 C7.3.1.1. Keeping integrity of the document number from the requisitioner's original demand throughout total processing, when payback actions are necessary.

 C7.3.1.2. Online recording and reconciliation of materiel debit and credit balances of the SMCA and affected DoD Components.

 C7.3.1.3. The DoD Components to have an audit trail when their inventory/financial records are affected.

 C7.3.2. Payback of SMCA Items- Dual Inventory Adjustment (Ownership Transfer). The Inventory Adjustment – Dual (Ownership Transfer) transaction (Quantity or Status Adjustment Reason Code AG; legacy DIC DAS) is designed for use as a dual adjustment limited to effecting paybacks of SMCA items from one owning Service to another Service, in accordance with DoD policy and inter-Service agreements. The SMCA will initiate an Inventory Adjustment – Dual (Ownership Transfer) for processing internal adjustments to custodial/accountable records and for notification of SMCA storage activities. Under legacy MILSTRAP, the use of the M modifier with ammunition, to express thousands when the quantity exceeds 99,999, is an optional feature that can be applied intra-Service and, by agreement, inter-Service.

 C7.3.3. Payback of SMCA Items- Single Inventory Adjustment (Ownership Transfer). The Inventory Adjustment – single (Ownership Transfer) transactions (Quantity or Status Adjustment Reason Code AG; legacy DIC D8S and D9S) are designed for use as a single adjustment transaction limited to effecting paybacks of SMCAs for conventional ammunition items from one owning Service to another Service, in accordance with DoD policy and inter-Service agreements. The SMCA will initiate the transactions for updating internal custodial/accountable records and for notification to affected Military Services of actions to be accomplished. Under legacy MILSTRAP, the use of the M modifier with ammunition to express thousands when the quantity exceeds 99,999, is an optional feature that can be applied intra-Service and, by agreement, inter-Service.

 ***C7.3.4. Ownership Transfer via Ship-in-Place (Other than Ammunition/ Ammunition Related M*ateriel).[[5]](#footnote-5) *The term ship-in-place (also known as ship-to-self) is a procedure that causes a custodial activity of a given materiel to transfer the ownership without a physical shipment. These procedures do not apply to ammunition and ammunition related materiel. Storage activities can recognize an MRO for ship-in-place when the Ship-To DoDAAC matches the custodial activity performing the transfer. In addition, a PMR is mandatory for every release request to ensure the storage activity has the necessary information to perform the transfer. The MRO and the PMR will serve as evidential matter to justify the transfer.***

 ***C7.3.4.1. Owner Responsibilities. It is important the gaining and the losing inventory manager (LIM) collaborate and coordinate the document number prior to submitting the initial materiel release request. The PMR must precede the MRO and both transactions must include the same document number for a successful match. The lack of a matching PMR will result in an MRO denial.***

 ***C7.3.4.1.1. Gaining Inventory Manager (GIM). The GIM is responsible for transmitting a mandatory PMR to the custodial activity performing the transfer.***

 ***C7.3.4.1.2. Losing Inventory Manager (LIM). The LIM must submit an MRO with a Ship-To DoDAAC matching the custodial activity performing the transfer. The custodial activity must have an equal or greater on-hand balance for the transfer request to avoid a denial. If the on-hand balance is less than the MRO quantity, the custodial activity performing the transfer will deny the MRO for the full quantity using DLMS 945A Materiel Release Denial with Denial Management Code P. The custodial activity and the owner must reconcile inventory records by line item before submitting the ownership transfer request again.***

 ***C7.3.4.2. PMR Requirement. A matching PMR must be present for every ship-in-place materiel release request. When the PMR is not available, the custodial activity performing the transfer will reject the ship-in-place request via DLMS 945A Materiel Release Denial with Denial Management Code S.***

 ***C7.3.4.3. Ownership Change. The custodial activity performing the transfer will complete a re-warehousing action upon systemic validation of a matching PMR and quantity on-hand. The re-warehousing action may be for the full or partial quantity available (on-hand balance) depending on the MRO quantity and the condition of the item. Ship-in-place for serialized items requires a physical verification of serial numbers in storage prior to completing the re-warehousing action. The custodial activity performing the transfer will report any discrepancy found in location to the LIM. The custodial activity may deny the MRO if a discrepancy found in location prevents them from completing the transfer request.***

 ***C7.3.4.4. Inventory Adjustments Due to Ship-in-Place. Once the re-warehousing action is complete, the storage activity will notify both owners with the respective inventory adjustment as follow:***

 ***C7.3.4.4.1. The losing inventory manager (LIM) will receive a DLMS 945A Materiel Release Confirmation to report the loss.***

 ***C7.3.4.4.2. The gaining inventory manager (GIM) will receive a DLMS 527R Receipt to report the gain.***

C7.4. PURPOSE TRANSFERS. Based on authorized programs, materiel may be reserved for specific purposes and kept on inventory control records until requisitioned. To accomplish transfer of assets between purpose codes, the Inventory Adjustment transactions for purpose code (single or dual), will be processed against the property accountability records. The Inventory Adjustment transaction with Quantity or Status Adjustment Reason Code AD applies (legacy MILSTRAP D8D and D9D, or DAD).

C7.5. PHYSICAL INVENTORY GAINS AND LOSSES. Procedures concerned with inventory adjustments due to physical inventory losses or gains are contained in Chapter 6.

C7.6. INVENTORY GAINS AND LOSSES DUE TO UNIQUE ITEM IDENTIFIER AND/OR SERIAL NUMBER MISMATCH. Procedures concerned with inventory adjustments due to UII and/or serial number mismatch losses or gains are contained in Chapter 6.[[6]](#footnote-6)

C7.7. REIDENTIFICATION OF STOCK, STOCK NUMBER CHANGES, AND UNIT OF ISSUE CHANGES

 C7.7.1. Reidentification of Stock

 C7.7.1.1. When inspection shows an item in stock has been misidentified, storage activities will send an inventory adjustment to the owner. The transaction will contain the misidentified stock number, the quantity misidentified (Quantity or Status Adjustment Reason Code AE (Reidentification)), and Suffix Code A.

 C7.7.1.2. When one new stock number is picked up due to reidentification, the inventory adjustment will contain the same document number as the original transaction, identified stock number, quantity of the identified stock number using (Quantity or Status Adjustment Reason Code AE (Reidentification)), and Suffix Code B.

 C7.7.1.3. When more than one new stock number is picked up due to reidentification, an additional inventory adjustment for each newly identified stock number will be prepared and sent. The additional inventory adjustment transaction(s) will be prepared in the same manner as the second transaction except that the suffix codes will progress to C, D, etc., as each transaction is prepared. The suffix codes in the second and ensuing transactions will serve to correlate the transactions to the misidentified stock number.

 C7.7.1.4. The owner/manager and storage activity will process an inventory adjustment against their inventory control records to cause the decrease under the incorrectly identified stock number and increase(s) against the correct stock number(s).

 C7.7.2. Stock Number and/or Unit of Issue Changes

 C7.7.2.1. When only a stock number change occurs, the owner/IMM prepares and processes an inventory adjustment containing the old and new stock numbers (Quantity or Status Adjustment Reason Code AF (Stock Number Change)) and the associated inventory adjustment increase and decrease.

 C7.7.2.2. When only a unit of issue change occurs, the owner/IMM prepares and processes an inventory adjustment containing the old and new units of issue (Quantity or Status Adjustment Reason Code AN (Unit of Issue Change)) and the associated inventory adjustment increase and decrease.

 C7.7.2.3. When a simultaneous stock number and unit of issue change occurs, the owner/IMM prepares and processes an inventory adjustment containing the old and new stock numbers and units of issue (Quantity or Status Adjustment Reason Code AF and AN), and the associated inventory adjustment increase and decrease.

 C7.7.2.4. In legacy systems, a dual adjustment requires two separate transactions (D9K and D8K) using the same document number. To perform the actions in C7.7.2., the owner/IMM prepares a D9K with Suffix A containing the old data elements, followed by a D8K with Suffix B containing the new data elements.

C7.8. CONDITION CHANGES FOR ITEMS BEING REPORTED/TURNED IN TO DLA DISPOSITION SERVICES

 C7.8.1. When materiel is not identified by an NSN and is actually scrap, the DoD Components may prescribe that it be classified in SCC S for turn in to a DLA Disposition Services Field Office. Otherwise, only materiel recorded on property accountability records in SCC A through H and SCC Q will be reported or turned in to the DLA Disposition Services Field Office.

 C7.8.2. When excess, serviceable or unserviceable materiel is classified in SCC J, K, L, M, N, P, R or X, the DoD Components must initiate action to reclassify the materiel to an acceptable SCC (A through H, Q, or S) before preparing the turn-in documentation. Section C7.2 contains the materiel reclassification procedures.

 C7.8.3. Activities not reporting or turning in materiel to a DLA Disposition Services Field Office in an appropriate SCC will risk having the materiel rejected/returned by the DLA Disposition Services Field Office for proper classification.

 C7.8.4. DLA Disposition Services Field Offices will use the ***supply*** ***condition codes*** to accurately describe the physical condition of the materiel based on its inspection at time of receipt. DLA Disposition Services Field Offices will record ***the*** supply ***condition codes*** as management data for DLA Disposition Services program screening and review. Within the DLA Disposition Services Field Office process***, Supply*** ***Condition Code*** S is assigned for "property with no value except for its basic materiel content." Consequently, ***Supply*** ***Condition Code*** S may be assigned by DLA Disposition Services Field Offices to materiel with or without NSN identification.

1. Refer to ADC 1198. [↑](#footnote-ref-1)
2. Refer to ADC 1198A. [↑](#footnote-ref-2)
3. Refer to ADC 1198. [↑](#footnote-ref-3)
4. Refer to ADC 1159, New Supply condition Code X, Suspended (Repair Decision Delayed) [↑](#footnote-ref-4)
5. ***Refer to ADC 1395.*** [↑](#footnote-ref-5)
6. Refer to ADC 1198 [↑](#footnote-ref-6)