May 29, 2024

MEMORANDUM FOR RECORD

SUBJECT: Department of Defense (DoD) Defense Logistics Management Standards (DLMS) Finance Process Review Committee (PRC) Meeting 24-02.

This memorandum forwards the attached minutes of the Finance Process Review Committee providing updates on G-Invoicing.

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Attachment:
As stated,

DISTRIBUTION:
ODASD(Logistics)
FPRC Attendees

MINUTES FROM FINANCE PROCESS REVIEW COMMITTEE MEETING 24-02, MAY 8, 2024

SUBJECT: DoD Defense Logistics Management Standards G-Invoicing Information Finance Process Review Committee Meeting 24-02

Purpose: The Defense Enterprise Data Standards Office (DEDSO) convened a meeting of the Finance Process Review Committee (PRC), at the offices of LMI, in Tysons, Virginia and virtual meeting support via Zoom and teleconference on May 8, 2024.

Meeting documentation: The meeting agenda and briefing material are available on the Finance PRC web page: https://www.dla.mil/FinancePRC.

Brief Summary of Discussion:

1. **Opening Remarks:** Nolan Davis, Finance PRC Administrator, welcomed attendees and encouraged a discussion on G-Invoicing from all participants.

2. **Meeting Topics:**

a. **Agenda Topic 1 – DEDSO Finance Update**
   Nolan Davis provided a brief update on PRC membership, Approved Defense Logistics Management Standards (DLMS) Change (ADC) 1043E edits at Defense Automatic Addressing System (DAAS), and an introduction to the Supply Transaction Working Group.

   In recent years membership tracking has been passive and requests to representatives were going to people that had moved on without DEDSO being aware. DEDSO is instituting annual verification of PRC membership. Each Component will name one primary and one alternate representative to be the contact point for collecting feedback on proposed DLMS Changes (PDCs) for the Component position.

   At the February Finance PRC meeting, plans to progress ADC 1043E edits at DAAS from the test environment to production were shared, and Components were invited to rerun test transactions. DAAS is set to promote the edits into the production environment on June 12, 2024. The change is designed to reject transactions back to the requisitioner with a status code indicating a missing or invalid fund code.

Action Item 1: DEDSO will provide the representatives with information on the logic implemented at DAAS to implement ADC 1043E edits. Status: Open

A Senior Executive Summit in November 2023 on G-Invoicing set the 7600EZ as the target solution for supply. The goal is for the DoD to have non-interfund supply transactions fully operational in G-Invoicing by October 1, 2025. At the end of February, Office of the Under Secretary of Defense (OUSD) Acquisition & Sustainment convened a Supply Transaction Working Group (STWG) to address gaps in policy, procedures, and standards to make supply G-Invoicing capable. Eleven gaps were identified and are being worked as targeted sub-groups. One gap decision on interfund-based supply incorporating into G-Invoicing is being led by OUSD Acquisition & Sustainment.

b. **Agenda Topic 2 – Treasury G-Invoicing Program Update**
Keith Jarboe, U.S. Treasury, provided the big picture on G-Invoicing. As intra-governmental transactions the overall balance of buy/sell should always even out, but it hasn't historically. This imbalance has been consistency noted by the Government Accountability Office as preventing a clean audit opinion. In 2017 the total imbalance for all causes was over a trillion. Since then, progress has been steadily made down into the low tens of billions, with buy/sell transaction imbalances accounting for just over 40 percent. G-Invoicing is still in the early stages to help improve the situation.

Key components of G-Invoicing include data standards, clarified policies, and the rigor of the G-Invoicing process. The data standards are the foundation of G-Invoicing, and that makes any proposed changes to the data standards a carefully adjudicated evaluation. With all three key pieces in place, the driver is shifting to Treasury's mandate to close Intra-Governmental Payment and Collection (IPAC) from initiating buy/sell transactions as of Fiscal Year (FY) 2026.

Treasury development method for G-Invoicing has been open, collaborative, flexible, transparent. Hopefully, others feel that Treasury built G-Invoicing with them rather than forcing it on them. Keith Jarboe noted progress by a number of agencies Treasury is tracking toward G-Invoicing adoption. Treasury sees a lot of progress and knows the effort is a significant task.

Richard Marrow, DEDSO, noted past discussions to use the DoD Activity Address Code (DoDAAC) as a key element to link parties up, but that is no longer the case. Keith Jarboe acknowledged there had been discussions in the past on using the DoDAAC, but that collaboration with the whole of government instead led G-Invoicing to rely on the Agency Location Code ALC and account structure to link parties. However, DoD Comptroller requires the DoDAAC to be populated in the Group Name element of G-Invoicing.

c. **Agenda Topic 3 – OUSD(Comptroller)/G-Invoicing Implementation7600EZ Supply Working Group**
Fatimoh Ajadi, OUSD (Comptroller), gave a high-level overview of DoD work on G-Invoicing. Fatimoh Ajadi noted that four DoD systems have implemented G-Invoicing capabilities and another three to four are expected to be capable by the end of this fiscal year.

It is important that G-Invoicing is not just a financial program and includes cross-functional impacts to be aware of along the Procure-to-Pay, Order-to-Cash, and Budget-to-Report

business processes. Collaboration is necessary among acquisition & sustainment, contracting, logistics, and financial management to implement G-Invoicing.
 Fatimoh Ajadi presented on gaps identified by the STWG where DoD Comptroller is leading identification of the way forward. The first gap is tracked as Gap #6 and seeks to engage Treasury to get additional elements added to the G-Invoicing standards to link the 7600EZ invoice to supply requisitions and receipt. DoD cannot use the 7600EZ as an invoice without the additional elements. DoD Comptroller is engaging with Treasury and may have agreement in the future as G-Invoicing ramps up. The next gap (Gap #8) is coordinating a request to Treasury to lift the $10,000 limit on 7600EZ for all of DoD supply. Currently, only Defense Logistics Agency (DLA) has an exception. The STWG noted the difficulty of transferring high dollar materiel between Components if only DLA has the waiver. DoD Comptroller's last gap to lead (Gap #10) seeks to develop a standardized General Terms and Conditions (GT&C) to be used as a template between all supply partners. Such a template provides consistency and predictability in the supply process. The template is being developed in a work group. That group expects to have a working document to share in June.

d. **Agenda Topic 4 – DLA G-Invoicing Materiel Transactions Way Forward**
Michael Lane, DLA, spoke to the impact of G-Invoicing on DoD supply processes. DLA is very focused on meeting the Treasury deadline for switching all IPAC transactions to G-Invoicing by FY2026. Immediate focus transitions Military Interdepartmental Purchase Request (MIPR) and non-interfund supply materiel (i.e. fund code XP) transactions. The STWG Gap#9 is evaluating interfund as an additional scope.

From a legacy perspective the difference in buy/sell transactions is a material weakness. Trading partners need to record equal amounts in the same period. MIPR and non-interfund are issues, but Treasury does have eliminations issues with interfund as well. DoD has gaps with Statements of Federal Financial Accounting Standards and G-Invoicing requirements.

G-Invoicing is an opportunity to drive supply towards standardization and consistency. In doing so, the material weaknesses will eventually be addressed. It has broken down stovepipes to get cross-functionals talking and coordinating. The vision for DoD as a whole is to use the 7600EZ to maintain the existing order fulfillment process but will upgrade with G-Invoicing data elements up front. The STWG is working to identify and mitigate gaps in policy and processes, avoiding bespoke work arounds. All parties are encouraged to participate as success is dependent on all of DoD being consistent in implementing G-Invoicing. Also, be the change agents within your agencies to make progress.

There are significant risks ahead. The effort to implement G-Invoicing by FY2026 is a tight deadline. If interfund is out of scope for G-Invoicing it will still have an eliminations issue to be solved. All trading partners need to establish GT&Cs specific to their supply business areas operating under the 7600EZ.

e. **Agenda Topic 5 – DLA Approved DLMS Change (1465) 7600EZ Update**
Eric Flanagan, DLA, recapped ADC 1465 adding needed G-Invoicing data standards to DLMS transactions that have a financial impact. The ADC 1465 additions enable the

standard supply transactions to work with the 7600EZ process. The 7600EZ approach was chosen because the alternative 7600B order requires four signatures each that would be overwhelmed by the quantity of daily supply orders and grind the supply chain to a crawl. A 7600A, GT&C, is still a prerequisite for a 7600EZ. In the future, funds settlement may be triggered by the 7600EZ instead of a supply bill.

One difference of 7600EZ, is the ability of the buyer to reject the 7600EZ bill within a rejection period (e.g. five days). So, communication among trading partners before buy/sell activity will be important. Another consideration of using the 7600EZ is the weakening of controls from the 7600B led to restrictions on 7600EZ transactions to cap at $10,000. However, this limit is easy to hit in the DoD, so DLA learned from select General Services Administration (GSA) business lines and successfully made a case to waive the 7600EZ limit for DLA.

ADC 1465 scope is non-interfund supply transactions. These are intragovernmental transactions that do not originate in ordering systems that have support of the Component financial systems that support interfund. Transactions between DoD and most non-DoD governmental agencies are non-interfund. Intergovernmental non-interfund transactions must be recorded in IPAC, which must transition to G-Invoicing by FY2026. The DLMS manual, Volume 4, Chapter 2, details criteria distinguishing interfund versus non-interfund billing.

DoD policy requires interfund on National Stock Number (NSN) items between DoD Components, which is the majority of DoD supply. It cannot be used with most non-DoD trading partners. The narrow exception allows interfund billing from GSA, Federal Aviation Administration, and National Oceanic and Atmospheric Administration supplying DoD NSN items. Interfund enables the seller to transfer funds out of the account identified by the buyer. The 7600EZ does give some power to the buyer to reject a bill, as under interfund the buyer has to request the seller to adjust the bill.

DoD Comptroller asked about the omission of the 810L from ADC 1465. If the 7600EZ is not able to add data elements required for funds settlement, the 810L will be updated to support G-Invoicing settlement (see Gap #6 discussed under DoD Comptroller presentation).

David Opatz, DLA, offered a perspective on the time it has taken to get from the early days of G-Invoicing as a concept to now. David Opatz remarked on how technology changes quickly and is asking the DLA Finance G-Invoicing team how new tools can help improve the G-Invoicing environment to analyze data and assist in anticipating needs.

f. **Agenda Topic 6 – GSA G-Invoicing Implementation at GSA**
Gail Bruss, GSA, reported on G-Invoicing implementation at GSA. GSA started small and have successfully interfaced their financial system with G-Invoicing. Beyond the financial system, GSA has taken a phased approach to address business lines according to when feeder systems were ready. Some business lines are on pilot or will by next year. Of note, Fleet Services is on pace to be switched to G-Invoicing in 2025 right at the deadline and will be the first based on the 7600EZ process. GSA is modernizing Fleet Services to a cloud application as well as implementing G-Invoicing.

GSA knows that two business lines, including supply, are not going to be G-Invoicing ready by FY2026. GSA processes over two million supply transactions a year. DoD is the largest customer and sixty percent are requisition transfers from DLA. A major challenge is that supply covers a variety of ordering methods (i.e. Call Centers, Online Systems, Point of Sale, Passed Requisitions, Special Orders, MIPRS) and G-Invoicing has two workflows to cover them (i.e. 7600B and 7600EZ). GSA is evaluating which method best works with the two solution paths. And where the 7600EZ fits, there are still necessary upgrades to middleware to fully comply that are taking time to specify, get funding, then develop and test. Along the way, GSA is participating in the STWG gap discussions and listening to customers for near along term improvements to address pain points.

Comptroller asked about the constructed order around rents and planning to test the end-to-end. GSA is planning for testing and coordinating with systems engineers like SAP on quality control. Comptroller also asked about timing for Fleet Services implementation and testing. GSA hopes to start testing Fleet Services with Army in early 2025. With Fleet Services the obligation has to be on the customer's books when the 7600EZ is processed, and since Customers know the vehicles already on hand Fleet Services has some comfort that the obligations will be recorded. Comptroller noted that the waiver to the 7600EZ $10,000 limit was important because Comptroller wanted to record the obligations and tie the obligations to the 7600EZ. GSA advised talking with the enterprise resource planning (ERP) owners, as an example on Rent the GSA ERP was able to capture the whole year obligation up front and then each monthly 7600EZ would drawdown that obligation, rather than a monthly order to create the obligation.

A participant noted that one of DoD supply's big gaps is a number of internet ordering systems not connected to Component ordering systems and financials. These systems do not communicate obligations or due-ins to the customers. Only the FEDMALL connection to GCSS-Army makes use of the Funds Verification process to near real-time verification of customer ordering authority, funds availability, recording obligation, and due-in. When asked how FEDMALL may need in a G-Invoicing environment, GSA acknowledged that GSA has not gotten that far yet but agrees that building on a working platform like Funds Verification makes sense.

3. **Questions/Wrap Up.** Nolan Davis thanked the participants for the great discussion and progress, highlighting the importance of communication from the group. The next Finance PRC is tentatively scheduled for this fall, with details to be determined over the summer.