



DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD
FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY
REFER TO

DLMSO

August 03, 2010

MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE MEMBERS

SUBJECT: Approved Defense Logistics Management System (DLMS) Change (ADC) ADC 389, Inventory Control Point /Integrated Item Manager (ICP/IMM)-Directed Shipments of Non-Requisitioned Government Furnished Materiel (GFM) (Staffed as PDC 383)

The attached change to DOD 4000.25-M, DLMS, is approved.

Addressees may direct questions to the DLMSO point of contact Ms. Ellen Hilert, Co-Chair, Supply Process Review Committee, at 703-767-0676; DSN 427-0676; or, e-mail: Ellen.Hilert@dla.mil. Others must contact their Component designated Supply Process Review Committee representative.

A handwritten signature in blue ink, appearing to read "Donald C. Pipp".

DONALD C. PIPP
Director
Defense Logistics Management
Standards Office

Attachment

cc:
ADUSD(L&MR)SCI

ADC 389
ICP/IMM-Directed Shipments of Non-Requisitioned GFM

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION:

a. Requiring Agency: DLA-J33, 703.767.4922

b. Sponsor: Chair, Supply Process Review Committee. POC: Ms. Ellen Hilert, at 703-767-0676; DSN 427-0676; or, e-mail: Ellen.Hilert@dla.mil.

2. FUNCTIONAL AREA: Supply

3. BACKGROUND:

a. Legacy business practices within Defense Logistics Agency (DLA) involved either generation of a requisition in MILSTRIP format for the contractor or receipt of a requisition from a contractor. These business practices required Management Control Activity (MCA) validation to assure that the contractor was authorized to receive the requested material in the requested amount under the terms of the cited contract.

b. Under Enterprise Business Systems (EBS), these business practices no longer apply to all DLA- issued contracts requiring Government Furnish Material(GFM). DLA no longer acts as the MCA for internal DLA contracts; however, requisitions submitted to DLA that support other Component-managed contracts remain subject to MCA validation and conform to MILSTRIP Chapter 11 procedures.

c. Under current practice, standard SAP Subcontracting Purchase Order functionality is used in EBS to support internal DLA contracts/purchase orders that require DLA owned and stocked GFM component materials to be pushed to a vendor. Subcontracting Purchase Order functionality tracks GFM component usage from shipment confirmation on the delivery of the GFM component to receipt of the end item material.

d. Under this process no requisitions are involved; instead, a depot shipment is directed against the DLA contract/subcontracting Purchase Order (PO). Upon confirmation from the storage location that the delivery has been shipped the material is moved from unrestricted issue at the storage site to a subcategory "Stock Provided to Vendor (SPTV)."

e. There is a group Bill of Material (BOM) which identifies the unit of allowance of each component required to assemble one end item. Then there is a transactional BOM which is unique to each subcontracting PO. The transactional BOM uses the unit of allowance required to assemble one end item as identified in the group BOM and multiplies it times the number of end items in the specific PO to compute the total component requirement.

f. Internal to DLA Enterprise Business System (EBS), status of contract and GFM component deliveries are monitored through use of SAP transaction ZSV_ZE2S_Change Manage Subcontracting Report. GFM usage is tracked by inventory category SPTV. A drill

down exists which allows visibility of the material in SPTV status and the vendor CAGE to which the material is obligated. As an example if 100 EA of a material is shipped from plant DDSP to vendor 12345 (CAGE), the material would now be recorded in inventory as 100 EA in SPTV under DDSP. The drill down would show 100 EA in SPTV status for Vendor 12345. Material in SPTV status is considered obligated to the Vendor CAGE not a specific contract/purchase order. Material in SPTV status is not considered available to support other requirements.

4. PROPOSED CHANGE(S):

a. Requested Change: This proposed change documents an alternative process for providing GFM to contractors without initializing the requirement via a requisition. Under this process material is “pushed” from the supply system rather than the “pulled” per current MILSTRIP procedures. The ICP/IMM provides GFM to the contractor based upon the terms which establishes a list of raw materials/component parts needed to manufacture the end item, and which will be provided by the Government without separate charge to the contractor. This list of materials which forms the basis for the ICP/IMM directed shipments is referred as a Bill of Material (BOM). The ICP/IMM directs issue of stocked material to the contractor responsible for the end item. This process does not apply to direct vendor delivery of GFM to a DLA the contractor. Internal control processes are employed to track and schedule GFM shipments, and measure usage against receipt of the end item(s) under the terms of the contract.

b. Procedures. Revise MILSTRIP as follows. An equivalent change will be posted to the DLMS Manual.

- (1) Insert new definition for Bill of Material.

DEFINITIONS

Bill of Material (BOM). A list of the raw materials/components parts, etc., and the quantities of each needed to assemble/manufacture/repair an end item or final product.

- (2) Insert new paragraphs describing proposed procedures.

CHAPTER 11, CONTRACTOR ACCESS TO GOVERNMENT SUPPLY SOURCES

C11.10. ICP/IMM-Directed Shipment of Non-Requisitioned GFM based on a Bill of Material (BOM)

C11.10.1. ICP/IMM-directed shipments of GFM may be managed through the use of a Bill of Material (BOM) as identified under the terms of the DoD contract. In this context, the BOM identifies the raw materials/component parts needed to assemble/manufacture/repair the end item or final product. Based on the unit of allowance, the number/amount of GFM component material needed to accommodate the total number of end items to be manufactured/assembled/repared on a specific contract/purchase order, may be calculated and provided. This procedure eliminates the need for separate GFM requisitions for the component material and subsequent MILSTRIP MCA validation. Instead, this process allows

the ICP/IMM to push the raw material directly to the contractor as required by schedule and/or usage.

C11.10.1.1. Upon contract award for production of an end item or final product, the BOM becomes the basis for determining the quantity of GFM required by the contractor. These deliveries shall only include stocked raw material/component parts that the Government provides at no separate charge to the contractor for assembly/manufacture of the end item/final product. Under this process, the ICP/IMM shall use internal control procedures to monitor consumption of raw material/component parts against the receipt of items awarded by contract.

C11.10.1.2. The ICP/IMM shall prepare materiel release orders for stock shipments using document numbers based upon a DLA established DoDAAC. The ship-to location cited in the release order shall identify the contractor DoDAAC authorized to receive GFM. If no DoDAAC is assigned, the contractor facility may be identified by Commercial and Government Entity (CAGE) or as an exception ship-to address. The storage location shall provide shipment confirmation to the ICP/IMM for monitoring of GFM shipments and shall prepare shipment status. For contractors without capability to accept MILS/DLMS transactions, status of the GFM component delivery shall be provided upon request by the contractor. The assembled/ manufactured end items may be shipped directly to customers or shipped to a storage location for later issue.

C11.10.1.3. Use of the above business process does not relieve the ICP/IMM from management reporting requirements required by DoD 4140.1-R, DoD Supply Chain Materiel Management Regulation.¹ Materiel Receipt Acknowledgment is required for GFM, including pushed shipments, under MILSTRAP procedures.

C11.10.1.4. This process is discretionary and may not be applicable to all commodities and contracts requiring GFM. This process may only be used to support GFM requirements satisfied by the Component issuing the contract (that is, by design, it does not support inter-Component materiel support).

c. Alternatives: Standard MILSTRIP procedures based upon requisitioning is the only alternative, but would be less efficient than the modified DLA process under ERP and is not under consideration.

5. REASON FOR CHANGE: This ADC is provided to document within DoD guidance the procedures developed by DLA to supply GFM to contractors using technology and controls inherent to DLA's enterprise resource program.

6. ADVANTAGES AND DISADVANTAGES:

a. Advantages (tangible/intangible):

¹ This reference will be updated upon publication of DoD 4140.1-M, DoD Supply Chain Materiel Management Procedures.

- (1) Greatly simplifies necessary steps in supplying materiel, by eliminating the creation of the requisition (and associated follow-on actions) and separate MCA validation.
- (2) Removes training requirements and error corrections associated with contractor submission of requisitions.
- (3) Ensures better control, timeliness, and visibility of materiel requirements and status
- (4) Establishes DoD standard methodology for providing GFM based upon the Bill of Materials as an optional business process for all Components under modernization.

b. Disadvantages: There is no flag within the materiel release order or subsequent shipment status that will enable Integrated Data Environment (IDE)/Global Transportation Network (GTN) Convergence (IGC) to identify a GFM “push” vs. a gap in the IGC requisition history. DLA may consider adoption of a value within these two transactions to facilitate proper interpretation by a third party such as IGC for a future enhancement.

7. Impact:

a. Publications: DLA (as the initial implementing Component) must request update to DoD Supply Chain Materiel Management Procedures.

b. Implementation: This process is already implemented.

c. Metrics Impact: May impact business rules for Materiel Receipt Acknowledgement (MRA) reports and Logistics Response Time (LRT).

d. Integrated Data Environment (IDE)/Global Transportation Network (GTN) Convergence (IGC): There is no unique data content which will facilitate recognition of this process. The Materiel Release Order will provide initial visibility and it is understood that IGC logic will need to be modified to allow this as an approved business process.

e. DLMS Data: There are no new DLMS data requirements.

Enclosure 1, Comment Resolution

	Component	Comment	Response
1.	Navy	Concur	
2.	Air Force	Concur	
3.	Integrated Data Environment (IDE)/Global Transportation Network (GTN) Convergence (IGC)	<p>Here is a detailed explanation of why IGC is asking about an indicator to differentiate these 940R push MROs, from normal ones in response to a 511R. The bottom-line is that IGC has no way of knowing if they are missing the 511R or there is never going to be one, so they need a trigger to wake up the process to say treat this 940R like a requisition.</p> <p>In a nutshell, when IGC gets a 511R that is a Document Identifier =A0 then it will create a "supply action" called 'requisition creation'.</p> <p>When IGC gets a 511M, it will create a supply action called 'requisition modification'.</p> <p>If I get a 511M and there is no 'requisition creation' action present (because we never received the 511R), it will ALSO create a 'requisition creation' supply action. (in other words, the AM acts like the A0 if the A0 doesn't exist.)</p> <p>This is exactly the same for the Document Identifier=AT. The AT is a follow-up that acts like an A0 if the A0 does not exist. Also same for the AC6/AK6 cancellation requests that come in the 940R. They act like a cancellation if no cancellation exists.</p> <p>Keep in mind that IGC is trying to integrate all these transactions into a single set of tables.</p> <p>Having said all that, in the case we are talking about (the GFM-push 940R transactions) this transaction effectively is a 511R and a 940R so I will create a 'Materiel Release Order' supply action and I also have to create a 'requisition creation' action.</p> <p>IGC needs to know how to definitively identify them so they can be handled correctly.</p>	<p>While there is a preference for coding within transactions to support recognition of unique business processes, no new identifiers will be added to the 856S.</p> <p>There is no requisition in this process. The 940R, 945A, and 856S will be available to IGC. Alternative logic must be established to allow the 940R as the first (initiating) action.</p> <p>Unfortunately, this is an implemented business process and any changes purely for IGC recognition of the transaction process would not be cost effective or prioritized with the current workload.</p>
4.	AF Supply Chain Policy HQ USAF/ A4LM	<p>Non-concur w/comment.</p> <p>With the current policy and procedures in place we are able to monitor, track and maintain visibility of GFM assets. With the new proposed change we lose that ability.</p> <p>AFMAN 23-110, USAF Supply Manual, V3 P8 CH 17, Production Contractor Requisitions For Government Furnished Material (GFM)</p>	<p>This is an optional process and does not require Air Force adoption. Air Force comments have been used to improve/clarify the wording of the approved change.</p> <p>This change documents an alternative process that works</p>

		<p>17.1.1. Scope. The Government Furnished Material (GFM) application is a non-aggregating process within the Special Support Stock Control (SSSC) system (D035D). The purpose of this application is to process authorized production contractor requisitions for GFM in support of government funded contracts and to insure that only materiel authorized by the contract is issued.</p> <p>17.2. Policy. The policy and procedures contained in this chapter apply to processing production contractor requisitions for GFM through the SSSC system. Information contained in this chapter is based upon procedures contained in various sections and appendix B of contracts under which a production contractor is authorized to order materiel from government activities as GFM as well as GFM management policy found in the various regulations, manuals and instructions.</p> <p>17.6. Supply and Shipment Status Processing.</p> <p>17.6.1. Supply and shipment status transactions generated from and received by SSSC will be recorded in the requisition control file (see AFMAN 23-110, Volume 3, Part 8, Chapter 13 of this volume and part of AFMAN 23-110 for valid supply status codes).</p> <p>17.6.2. As a result of initial processing for production contractor requisitions, SSSC will generate supply status transactions having document identifier 'AE1/AE2' to the requisitioner (see Attachment 17A-5 for an outbound 'AE1/AE2' transaction record layout).</p> <p>Proposed Changes ICP/IMM-Directed Shipment of Non-Requisitioned GFM based on a Bill of Materiel (BOM)</p> <p>The below paragraphs refer to material being monitored through internal control. With the new proposed change, how would you be able to monitor, track and maintain visibility of these assets. Is there a standard procedure in place to record GFM component deliveries and monitor consumption of raw material/component parts against the receipt of items awarded by contract?</p> <p>C11.10.1. Status of contract and GFM component deliveries is monitored through internal controls.</p> <p>C11.10.1.1. Under this process, the Inventory Control Manager and Integrated Material Manager (ICP/IMM) shall use internal control procedures to monitor consumption of raw material/component parts against the receipt of items awarded by contract.</p>	<p>well within the ERP design when applicable to an intra-Component usage. The business rules for the 'push' of GFM are not required functionally. This change imposes no processing change upon the Military Services.</p> <p>The MILSTRIP language has been updated to make the above limitations more visible.</p> <p>This process may not work for all commodities. For example, if X amount of materiel is expected to produce Y number of uniforms, receipt of the uniforms measures consumption. This process does not remove the overarching requirement for monitoring GFM under Supply Chain policy.</p>
5.	Army	1. Army National Community noncur with PDC 383.	This is an optional process and

	<p>2. Army detail comments are:</p> <p>a. FMS - No impact on US Army FMS</p> <p>b. SCE-BTL - Non-concur, with the following comments.</p> <p>(1) The proposed definition of "Bill of Material (BOM). A list of the raw materials/components parts, etc., and the quantities of each needed to assemble/manufacture an end item or final product based on a unit of allowance within the BOM The BOM identifies component material to be provided to the contractor as Government Furnished Materiel.", is not acceptable to Army. We do not provide all items on a BOM as GFM. A better definition would be "Bill of Material (BOM). A list of the raw materials/component parts, etc., and the quantities of each needed to assemble/manufacture/repair an end item or product."</p> <p>(2) The proposed new C11.10.1. states "This procedure eliminates the need for requisitioning GFM and subsequent separate MCA validation. It allows the ICP/IMM to push the raw material directly to the contractor as required by schedule and/or usage. Status of contract and GFM component deliveries is monitored through internal controls." What internal controls are used for validating GFM and tracking its issue and receipt?</p> <p>(3) The proposed new C11.10.1.1. states "Under this process, the ICP/IMM shall use internal control procedures to monitor Consumption of raw materiel/component parts against the receipt of items awarded by contract." What method is used to enable the contractor to report consumption? For repair contracts, consumption of GFM cannot be assumed based on receipt of the items.</p> <p>(4) The proposed new C11.10.1.2. refers to "stock shipments using document numbers based upon a DLA established DoDAAC." Is the entire new section C11.10 intended to apply to DLA only?</p> <p>(5) Section 4. (Proposed Changes), sub-paragraph c. (Alternatives) "Standard MILSTRIP procedures based upon requisitioning is the only alternative, but would be less efficient than the modified DLA process under ERP and is not under consideration." Army disagrees with this statement, in that it is not easier to create a stock transport order than to create a requisition.</p> <p>(6) Section 6. ADVANTAGES AND DISADVANTAGES:</p> <p>(a) Advantages (tangible/intangible):</p> <p>- Greatly simplifies necessary steps in supplying materiel, by eliminating the creation of the requisition</p>	<p>does not require Army adoption. Army comments have been used to improve/clarify the wording of the approved change.</p> <p>This change documents an alternative process that works well within the ERP design when applicable to an intra-Component usage. The business rules for the 'push' of GFM are not required functionally. This change imposes no processing change upon the Military Services.</p> <p>The MILSTRIP language has been updated to make the above limitations more visible.</p> <p>(1) Definition updated per request.</p> <p>(2) Sentence revised to clarify reference to MILSTRIP MCA validation.</p> <p>(3) This process may not work for all commodities. For example, if X amount of materiel is expected to produce Y number of uniforms, receipt of the uniforms measures consumption.</p> <p>(4) No, not restricted to DLA. It has been adopted by DLA as a better business model under ERP. It is being incorporated in MILSTRIP to make it available to other Components and to provide high level documentation on how it works. This documentation will allow others, such as IGC, to correctly interpret transactions.</p>
--	---	--

		<p>(and associated follow-on actions) and separate MCA validation. Are the follow-on actions for a stock transport order different than a sales order?</p> <ul style="list-style-type: none"> - Removes training requirements and error corrections associated with contractor submission of requisitions. - Ensures better control, timeliness, and visibility of materiel requirements and status. We do not feel that this process provides the control of GFM that is required. - Establishes DoD standard methodology for providing GFM based upon the Bill of Materials as an optional business process for all Components under modernization. Army has already rejected this business process as part of its modernization. - SDRs and QDRs were not addressed in this proposed change. SDRs and QDRs are not submitted by PR/PO. The removal of the MILSTRIP requisitioning will not support the submittal of SDRs and QDRs. <p>(7) How will this proposed change affect the financial processes required for funding and management of GFM? Stock transport orders or free issue, so are funds not checked/committed/obligated until time of consumption?</p>	<p>(a) The stock transport order is based upon the contract requirements and therefore does not need to be revalidated when used on an intra-Component basis.</p> <p>SDRs may be submitted against GFM shipments when shipment documentation differs from actual receipt by the vender. This process only applies on an intra-Component basis, so there is no concern about another Service/Agency processing the SDR (or Product Quality Deficiency Report).</p>
6.	DLA	<p>Concur. There is no intended impact on current processing.</p>	