



DEFENSE LOGISTICS AGENCY
HEADQUARTERS
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FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY
REFER TO

DLMSO

January 15, 2010

MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE MEMBERS

SUBJECT: Proposed Defense Logistics Management System (DLMS) Change (PDC) 383, ICP-Directed Shipments of Non-Requisitioned Government Furnished Material (GFM) (Supply)

We are forwarding the attached proposed change to DOD 4000.25-M, Defense Logistics Management System (DLMS), for evaluation and submission of a single coordinated DOD Component position. The interface requirement relating to this proposed change is shown to assist in your internal coordination. However, omission of such a requirement does not relieve you of the responsibility to assure full coordination of the proposal within your Component.

Request you review the attached proposed change and provide your comments/concurrence to DLMSO not later than **45** days from the date of this memorandum. If nonconcurrence is provided, please provide an alternate method to meet the requirement being addressed.

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

DONALD C. PIPP
Director
Defense Logistics Management
Standards Office

Attachment

cc:
DUSD(L&MR)SCI

PDC 383
ICP-Directed Shipments Non-Requisitioned GFM

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION:

a. Requiring Agency: DLA-J33, 703.767.4922

b. Sponsor: Supply Process Review Committee. POC: James Galloway, DLMSO/DLA J-6251, Defense Logistics Management Standards Office (DLMSO), 703-767-0676 (DSN 427), james.galloway@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. 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. 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 DDSF to vendor 12345 (CAGE), the material would now be recorded in inventory as 100 EA in SPTV under DDSF. 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 materiel 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 materiel/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 materiel 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 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.

- (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. The BOM identifies the raw materiel/component parts needed to manufacture the end item or final product. The transactional BOM calculates, based on the unit of allowance, the number of GFM component material needed to make the total number of end items to be manufactured/assembled on a specific contract/purchase order. 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.

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 materiel/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. 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. Materiel Receipt Acknowledgment is required for GFM under MILSTRAP procedures. 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

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 PDC 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) 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: None identified

7. Impact:

a. Publications: Requires update to DoD Supply Chain Materiel Management Procedures to be requested by DLA as the initial implementing Component.

b. Implementation: This process is already implemented.

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

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): The Materiel Release Order will provide initial visibility. Impact should be assessed.

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