



DEFENSE LOGISTICS AGENCY  
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IN REPLY  
REFER TO

J627

May 03, 2012

MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE (PRC) MEMBERS

SUBJECT: Proposed Defense Logistics Management System (DLMS) Change (PDC) 1006,  
Exception Processing for DLA Contractor Furnished Material (CFM) Requisition  
(Supply/MILSTRIP)

We are forwarding the attached proposed change to DOD 4000.25-1-M, Military Standard Requisitioning and Issue Procedures (MILSTRIP) and DOD 4000.25-M, Defense Logistics Management System (DLMS), for evaluation and submission of a single coordinated DOD Component position.

Request you review the attached proposed change and provide your comments/concurrence to DLA Logistics Management Standards not later than **30** days from the date of this memorandum. If non-concurrence is provided, please provide an alternate method to meet the requirement being addressed.

Addressees may direct questions to Ms. Ellen Hilert, DOD MILSTRIP Administrator, 703-767-0676 or DSN 427-0676, or email: [Ellen.Hilert@dla.mil](mailto:Ellen.Hilert@dla.mil) or Mr. Ken Deans, 703-767-2611, DSN 427-2611, or email: [Kenneth.Deans@dla.mil](mailto:Kenneth.Deans@dla.mil). Others must contact their Component designated representative.

DONALD C. PIPP  
Director  
DLA Logistics Management Standards

Attachment  
As stated

cc:  
ODASD(SCI)

**PDC 1006**  
**Exception Processing for DLA CFM Transactions**

**1. ORIGINATOR:**

**a. Service/Agency:** Defense Logistics Agency (DLA) HQ

**b. Sponsor:** DLA HQ Order Management, J331, DSN 427-4337, Commercial  
(703) 767-4337

**2. FUNCTIONAL AREA:** Supply/Finance

**3. REFERENCES:**

**a.** DOD 4000.25-1-M, Military Standard Requisitioning and Issue Procedures (MILSTRIP), available at [http://www.dla.mil/j-6/dlms0/eLibrary/Manuals/dlalms0\\_pubs.asp](http://www.dla.mil/j-6/dlms0/eLibrary/Manuals/dlalms0_pubs.asp)

**b.** DOD 4000.25-M, Defense Logistics Management System (DLMS) (same URL as above)

**4. OVERVIEW/BACKGROUND:**

**a. Overview.** This change documents an exception/deviation to the current requirements under MILSTRIP procedures for contractor access to Government supply sources. This change establishes an automated DLA Transaction Services Defense Automatic Addressing system (DAAS) edit/interface to provide management control activity (MCA) validation for requisitions submitted by DLA contractors for contractor-furnished materiel (CFM).

**b. Background**

(1) CFM is defined in MILSTRIP as materiel that the contractor is contractually required to provide. The source of supply for CFM may be the commercial market or the federal supply system when authorized by contract. Under MILSTRIP transaction processing rules, CFM is determined by identification of a contractor as both the ship-to and the bill-to DoDAAC. DLA normally assigns Service/Agency Code U-series DoDAACs to DLA contractors for use in requisitioning from Government supply sources.

(2) DLA Enterprise Business System (EBS) does not currently support MCA validation for externally created CFM requisitions. Additionally, DLA Transaction Services does not have special program logic to accept externally created DLA-sponsored CFM requisitions. As a result, these transactions being rejected under existing business rules.

(3) Due to the high volume of rejected requisitions work stoppage were occurring at the contractor's location. DLA and DLA Transaction Services, with participation by the MILSTRIP Administrator, developed exception processing rules for CFM requisitions submitted

in support of DLA-issued contracts. The MILSTRIP Administrator concurred with the immediate implementation of these processing rules pending submission of a formal DLMS change to document the procedures.

## 5. REQUESTED CHANGE:

### a. Requested change in detail

(1) DLA Transaction Services shall establish Distribution Code H as an authorized DLA distribution code serving to identify the DLA MCA for Service/Agency Code U. Requisitions submitted under the procedures described below shall include the DLA-assigned Distribution Code H which is used in the MCA validation process to identify the DLA MCA. **[Staffing Note:** *Review of currently submitted requisitions under this process shows that the DLA Distribution Code F is being used. Distribution Code F was originally intended for requisitioning of petroleum additives as Government-furnished materiel (with Service/Agency Code S). DLA may need to clarify usage for customers or redefine distribution code usage rules.]*

(2) DLA Transaction Services shall establish a DLA Authorized CFM DoDAAC Table to be used for validation of authorized DLA contractors identified as the bill-to DoDAAC on requisitions. Designated DLA representatives shall notify DLA Transaction Services of updates to add/remove DoDAACs from the table. The table shall be used for initial validation of CFM requisitions submitted by DLA contractors for CFM. Requisitions identifying a bill-to activity with a U-series DoDAAC not contained on the table shall be rejected with Supply Status Code DB, "Rejected. No valid contract registered at MCA." **[Staffing Note:** *This is a derived interpretation because DLA does not currently require the actual contract number to be identified in the DAAS table or the CFM requisition.]* Transactions that are successfully matched to the table will be transmitted to the source of supply (SoS).

(3) DLA Transaction Services shall perform a variation of the edit described above for CFM requisitions submitted via DOD EMALL when the payment method is identified as credit card. In this situation, the bill-to DoDAAC which represents DOD EMALL (SP5200) cannot be properly validated against the DLA Authorized CFM DoDAAC Table. Instead, DLA Transaction Services will use the requisitioner DoDAAC to perform the required CFM edit.

(4) DLA EBS shall generate MCA validation transactions for incoming CFM requisitions identifying a DLA contractor (U-series DoDAAC) as the bill-to activity using DLMS 517G (Document Identifier Code (DIC) AX1 functionality). DLA Transaction Services shall act as the MCA to validate the CFM requisition against the DLA Authorized CFM DoDAAC Table. Transactions that are successfully matched to the table will receive an MCA validation response using DLMS 517G (DIC AX2 functionality) with Advice Code 2M, "The MCA validation process has revealed that the requested item is authorized by a valid contract." **[Staffing Note:** *This is a derived interpretation because DLA does not currently require the actual contract number or the material identification to be identified in the DAAS table.]* Requisitions that fail to match the table shall receive DLMS 517G (DIC AX2) with Advice Code 2U, "The MCA validation process has revealed that no valid contract is registered at the MCA."

**b. Revisions to DOD 4000.25 Manuals:** Revise the MILSTRIP Manual as shown below. Comparable revisions must also be made to the DLMS Manual. Changes are identified in **bold red italics**.

(1) Modify paragraph C 11.8.2 as indicated below.

“C11.8.2. DAAS Processing of CFM Transactions. The process described in this paragraph provides mandatory CFM controls for CFM requisitions where the bill-to activity, as identified in the requisition, is an Army contractor and the source of supply is DLA. This process is optional for other Services and may be expanded to include other sources of supply, if needed. DAAS will maintain a list of Service/Agency authorized contractor DoDAACs and the associated NSNs/DOD-managed part numbers for which these contractors may submit CFM requisitions on a CFM Authorized Materiel Table for use in validating requisitions regardless of method of payment. CFM contractors which match the CFM Authorized Materiel Table by DoDAAC, but do not match by NSN or part number will be rejected with Status Code CL; requisitions that match on DoDAAC and NSN/part number will be processed as valid. DAAS will enter the DAAS RIC SGA or SHA into rp 74-76 as the validating MCA. DAAS will perform AX1/AX2 validation requirement for authorized CFM requisitions which match to the CFM Authorized Materiel Table. DAAS will furnish CFM reports upon request for use by the contracting officer in verifying that quantities ordered are within the contract allowance. Army contractor requisitions which do not match the CFM Authorized Materiel Table will be processed by DAAS under the MCA waiver exception process or passed to the applicable MCA as described in Appendix 4.2 ***For DLA CFM, processing will be as identified in paragraph C 11.8.3 below.*** CFM requisitions for other Service contractors will be passed to the supply source. NSNs listed in the table may be modified over the course of this agreement when appropriate Army contracting officer provides such authority. Updates to the authorized list will be collected, consolidated into one Excel file by the designated DLA Lead Center POC with proof of Army Contracting Officer (CO) concurrence and provided to headquarters (HQ) DLA Army Performance Based Logistics (PBL) action officer. HQs DLA shall coordinate updates to individual contractor lists with DLA DoD EMALL and DLA Transaction Services on a monthly basis. To optimize program changes, all additions to Army partnership lists will be made during an agreed to monthly time-frame between DLA and support entities.”

(2) Add paragraph C 11.8.3. as indicated below.

***“C 11.8.3. DLA Transaction Services Processing of DLA CFM Transactions.***

***C 11.8.3.1. DLA Transaction Services shall maintain a DLA CFM Authorized DoDAAC Table listing DLA contractor DoDAACs authorized to requisition CFM. DLA Transaction Services shall populate or delete DoDAACs to/from the table as directed by DLA. Requisitions identifying a DLA-assigned U-series contractor DoDAAC as the bill-to activity shall be edited against this table. DLA Transaction Services is required to edit all incoming MILSTRIP DIC A0\_, A3\_, A4\_, AM\_ and AT\_ (DLMS equivalent DLMS 511R/511M/869F ) transactions containing a U-series DoDAAC when identified as the bill-to activity against the DLA CFM Authorized DoDAAC Table. If matched to the table, then DAAS shall route/pass***

*the transaction based on established DAAS rules to the appropriate SoS for further processing. If the U-series bill-to DoDAAC does not match the table, then DAAS shall reject the transaction using Status Code DB.*

*C 11.8.3.2. DLA Transaction Services shall capture any DIC AX1 (DLMS 517G ) transactions containing a DLA U-series DoDAAC identified as the bill-to DODAAC and match it against the DLA CFM Authorized DoDAAC Table. If the U-series bill-to-DODAAC matches the table, then DAAS shall respond with a DIC AX2 (DLMS 517G) transaction with Advice Code 2M indicating the requisition is authorized. If the U-series bill-to-DoDAAC does not match the table, then DAAS shall respond with a DIC AX2 (DLMS 517G)) transaction with Advice Code 2U indicating the requisition is not authorized.”*

(3) Modify paragraph C 11.9.1.2 as indicated below.

C11.9.1.2. Corporate Credit Card CFM Purchases and DAAS Processing. DOD EMALL requisitions for shipment to contractors using corporate credit card payment are assigned Signal Code B, Fund Code XP, and the supplemental address of the DoD EMALL DoDAAC (SP5200). This configuration identifies a Government DoDAAC as the bill-to activity, therefore triggering DAAS and the DOD-Component supply source processing systems to misinterpret such transactions as GFM requisitions. The DAAS will validate these transactions against both existing GFM edits and the DOD EMALL CFM Table to determine appropriate action. If the contractor requisition does not contain a valid MCA identification code and the DoDAAC is not listed in the DoD EMALL CFM Table, DAAS will reject with Status Code CL. If an MCA is identified by either a distribution code in rp 54 or an RIC in rp 74-76, DAAS will forward the requisition to the supply source. Supply source will submit a DIC AX1 to DAAS for validation following GFM MCA procedures (including Army CFM). DAAS will recognize the EMALL supplemental address and again employ existing GFM edits and the DOD EMALL CFM Table to take appropriate action. If the validation using the DoD EMALL CFM Table, identifies the contractor DoDAAC as authorized by the contracting officer for ordering CFM using corporate credit cards, then DAAS will validate the requisition and respond to the supply source with a DIC AX2 using Advice Code 2M indicating the requisition is valid. The supply source will continue processing. If the contractor DoDAAC is not contained on the DoD EMALL CFM Table, but the requisition contains a valid MCA code, then DLA Transaction Services shall forward the DIC AX1 to the MCA for validation. If the contractor DoDAAC is not contained on the DoD EMALL CFM Table or does not match the CFM Authorized Materiel Table, when applicable, and the requisition does not contain a valid MCA code, then DAAS will provide a DIC AX2 with Status Code CL indicating the transaction is invalid. The supply source will reject the requisition. *DAAS processing rules shall be as described in this paragraph for DLA contractor credit card purchases (identified by a DLA-assigned U-series DoDAAC), except that the requisition shall be validated based upon the requisitioner DoDAAC matching to the DLA CFM Authorized DoDAAC Table.*

**c. Alternatives:** None identified.

**6. REASON FOR CHANGE:** CFM requisitions for DLA contractors identified by U-series DoDAACs were not processing successfully in DAAS or EBS. Without a workaround, EBS could not process requisitions from contractors supporting DLA Aviation for Fleet Readiness

Center (FRC) requirements due to an inability to obtain CFM validation from either internal or external sources; this resulted in contractor work stoppage. This exception validation by DLA Transaction Services will permit CFM requisitions to process automatically through EBS. The exception provides automated processing without human intervention. It also applies more stringent controls for management of CFM.

## **7. ADVANTAGES and DISADVANTAGES:**

**a. Advantages:** This process change will improve control, flow, and timeliness to support external customers. It will provide goodwill to FRC customers or other CFM customers with unique requirements that the system currently lacks. It takes advantage of the current EBS enhanced process capabilities. On the other hand, failure to approve and implement this process change will hamper the requisitioning process vital to DOD needs.

**b. Disadvantages:** The systemic DAAS validation process only verifies that the contractor is authorized to requisition. It does not perform full MCA validation by materiel identification and cumulative quantity ordered. The minimal DoDAAC validation is acceptable under current supply chain management policy. However, this policy is under consideration for requiring tighter controls. The MILSTRIP Administrator has discussed the feasibility of extending the DAAS edit to include authorized materiel identification, but due to the vast ordering authority that may be provided to DLA contractors for DLA-managed materiel, DLA considered this level of validation to be impractical.

**8. ESTIMATED TIME LINE/IMPLEMENTATION TARGET:** This change was implemented as described on December 14, 2011. The CFM Authorized DoDAAC Table was updated for contractor DoDAACs: UY9277, UY9278, UY9279.

## **9. IMPACT:**

**a. New/Revised DLMS Data Elements:** None.

**b. Service/Agency Automated Information Systems:** None.

**c. DLA Transaction Services:** Creation of DLA CFM Authorized DoDAAC Table to manage U-series DoDAAC CFM requisitions and edits driven by this table as outlined above.

**d. DoD EMALL:** Review above procedures for consistency with required controls on contractors requisitioning from Government supply sources.