



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

July 15, 2015

MEMORANDUM FOR SUPPLY, SUPPLY DISCREPANCY REPORT (SDR) AND FINANCE
PROCESS REVIEW COMMITTEE (PRC) MEMBERS

SUBJECT: Proposed Defense Logistics Management Standards (DLMS) Change (PDC) 1084,
New Procedures for Non-Manager Owned Suspended Stock Stored in DLA
Distribution Locations (DLMS/SDR/Stock Readiness)

We are forwarding the attached proposed change to DLM 4000.25, Defense Logistics Management Standards, for evaluation and submission of a single coordinated DOD Component position. It is the responsibility of the Component Supply PRC representative to ensure full coordination of the proposal within your Component.

Request you review the attached proposed change and provide your comments/concurrence to DLA Logistics Management Standards Office 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 Ms. Ellen Hilert, DOD SDR System Administrator, email ellen.hilert@dla.mil; Mr. Ben Breen, SDR Alternate, e-mail benjamin.breen@dla.mil; or Mr. Robert Hammond, Finance PRC Chair, financehq@dla.mil. Others must contact their Component designated representative available at:
<https://www2.dla.mil/j-6/dlmso/CertAccess/SvcPointsPOC/allpoc.asp>.

DONALD C. PIPP
Director
Defense Logistics Management
Standards Office

Attachment
As stated

cc:
ODASD(SCI)
JPIWG
Defense Stock Readiness Group (DSRG)

Attachment to PDC 1084

New Procedures for Non-Manager Owned Suspended Stock Stored in DLA Distribution Locations

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION:

a. Technical POC:

(1) Defense Logistics Agency (DLA) HQ, J344, 703-767-2686

(2) Defense Logistics Management Standards Office, Ellen Hilert, DOD SDR System Administrator, (703) 767-0676, ellen.hilert@dla.mil

b. Functional POC: DLA, Land & Maritime- BATA, (614) 692-4631 and DLA, Distribution J4, (717) 770-4849

2. FUNCTIONAL AREA:

a. Primary/Secondary Functional Area: Supply/Finance

b. Primary/Secondary Functional Process: Stock Readiness/Supply Discrepancy Report

3. REFERENCES:

a. [DLM 4000.25, Defense Logistics Management Standards](#), Volume 2, Supply Standards and Procedures, Chapter 17, Supply Discrepancy Procedures

b. [DLM 4000.25, Defense Logistics Management Standards](#), Volume 2, Supply Standards and Procedures, Chapter 21, Stock Readiness Program

c. [Joint Instruction DLAI 4145.4/AR 740-3/AFMAN 23-125\(IP\)/NAVSUPINST 4400.100A / MCO 4450.15A, Stock Readiness](#)

d. [Proposed DLMS Change 1045](#), Revise the DLMS Stock Screening Request, Storage Quality Control Report (SQCR) and Associated Replies to Add Capability for Transmission via new WebSS (Stock Screening Request) and WebSQCR Modules and Administrative Updates, April 1, 2015

e. [Approved DLMS Change \(ADC\) 435](#), DLMS Revisions for Standard Financial Information Structure (SFIS), October 3, 2011

f. [ADC 1043](#), DLMS Revisions for Department of Defense (DOD) Standard Line of Accounting (SLOA)/Accounting Classification, September 18, 2013

g. [ADC 1043A](#), Revised Procedures for DOD SLOA/Accounting Classification to Support Transaction Rejection Requirements, August 20, 2014

h. [ADC 1126](#), Revised Supply Discrepancy Report (SDR) Routing Rules for Non-Manager Owned Suspended Stock Identified at Time of Receipt at DLA Distribution Centers.

4. REQUESTED CHANGE(S):

a. **Brief Overview of Change:** This change allows credit to be issued for non-manager owned suspended stock stored at a DLA Distribution location when a stock screening request results in identification of non-compliant materiel. This change leverages existing procedures for processing of the Stock Screening Request, storage quality control report (SQCR), SDR, and materiel release order (MRO) to accomplish the necessary steps to recognize, suspend, provide notification of suspected non-conforming materiel, provide credit to the materiel owner if the materiel is determined to be non-compliant, and transfer ownership to the manager - all with minimal system impact.

b. **Background:**

(1) **General**

(a) When a materiel manager submits a Stock Screening Request to DLA distribution centers, all stock under DLA Distribution visibility is screened regardless of ownership. The manager may request the stock screening action during evaluation of a product quality deficiency report or other suspected contractor non-compliance. The stock screening action is systemically directed to all locations using DLA's Distribution Standard System (DSS), including industrial activities and partner sites, simultaneously. When a stock screening action results in identification of suspected non-compliant materiel in storage, stock is suspended (using a DLMS 947I/Document Identifier Code (DIC) DAC Inventory Adjustment) and an SQCR, DD 1225 (Document Type 5), is sent to the owner(s) for disposition. Materiel owners do not have visibility of why their materiel is suspended, so they cannot provide disposition and the materiel remains in a suspended condition. Furthermore, when this materiel is non-compliant, owners do not have recourse for action against the contractor, since the materiel was bought under the managing Service/Agency contract. The managing Service/Agency is the contracting authority and has the responsibility to negotiate returns/credit with the contractor.

(b) The procedures proposed in this change closely align with comparable procedures approved under ADC 1126 (reference 3.e.). This change revises routing rules and provides improved procedures for processing "receipt notification" SDRs for materiel suspended upon receipt based upon manager-provided screening criteria. The approved procedures will facilitate return of suspended suspect materiel to the item manager responsible for the screening action and subsequent reimbursement for the current owner using defined business rules.

(c) This change employs the enhanced procedures for stock screening and storage quality control reports documented under PDC 1045 (reference 3.d.). This change updated the Stock Screening Request (DLMS 842C/I), Stock Screening Reply (DLMS 842C/R), Storage Quality Control Report (DLMS 842S/Q), and Storage Quality Control Report Reply (842S/R) transactions to include new and revised data content to enhance the functionality of the transaction exchange and adopt a new Web-supported application at DLA Transaction Services. The intent of PDC 1045 is to expand the DLMS user community for these transactions beyond DLA supply chains and DLA distribution centers. Currently, these DLMS transactions are only exchanged between the DLA supply chains, using Enterprise Business System (EBS), and DLA distribution centers, using DSS. Implementation of PDC 1045 will enhance communication of SQCR information between the owner/manager and storage activity by allowing interim reply capabilities, including a status updated from the storage activity. PDC 1045 serves as a foundation for the new procedures documented in this PDC 1084.

(2) Constructed Document Number. The procedures discussed in this change allow the use of a constructed document number. A constructed document number is a document number created and used in place of the original requisition number when the original number cannot be determined. Under current procedures, a constructed document number may be employed in reporting selected product quality and supply discrepancies (e.g., a concealed shortage or wrong item in a sealed vendor pack not identified during receipt). A constructed document number is identified by the letter U in the first position of the document number serial number. Under DLMS, a constructed document number is also identified through the use of a utilization code (a discrete data element established as a DLMS enhancement to break out embedded codes from within the document number).

(3) Standard Line of Accounting (SLOA)/Accounting Classification. ADC 1043 (reference 3.f.) added discrete SLOA/Accounting Classification data elements to logistics transactions with financial implications to implement SLOA within DLMS. The requirement was extended to SDRs where the original SLOA/Accounting Classification data is not previously provided due to the use of a constructed document number. Because the SQCR must also support use of a constructed document number, SLOA/Accounting Classification data content must be added to the SQCR.

(4) Ship-in-Place. The procedures discussed in this change require “ship-in-place,” (also known as “ship-to-self”) processing. This terminology applies to an MRO sent to a storage activity solely to change the ownership without physically moving the materiel. In order to accomplish this, the MRO ship-to DoDAAC identifies the current storage activity DoDAAC. The DSS will recognize that no physical shipment is required and materiel will remain in its current storage location. A prepositioned materiel receipt (PMR) must be provided for ship-in-place (Draft PDC 1166 under development). The document number on the MRO will match the PMR, ensuring that materiel is transferred to the correct new owner account.

c. Requested Change in Detail:

(1) The following procedures will allow credit to be issued to non-manager owned non-conforming stock stored in a DLA Distribution Standard System (DSS) account. These step-by-step procedures coincide with the proposed transaction flow diagram in Enclosure 1:

Step 1 (Existing Procedure) – The item manager becomes aware of a suspected deficiency by customer submission of a PQDR or other triggering event.

Step 2 (Existing Procedure) - The manager submits a Stock Screening Request using DLMS 842C/I (WebSS may be used to prepare the Stock Screening Request under PDC 1045 (reference 3.d.) to DLA Distribution locations for suspected non-conforming materiel. This applies to all storage activities using DLA DSS, including industrial activities and partner sites.

Step 3 (Existing Procedure) - DLA Distribution locations receive the Stock Screening Request and build the workload requirement in DSS.

Step 4 (Existing Procedure) - DLA Distribution locations conduct the requested inspection. Screening applies to wholesale and below wholesale stock, regardless of ownership. When materiel matching the screening request criteria is identified, the materiel is suspended in Supply Condition Code J, L or Q using a Dual Inventory Adjustment (Condition Transfer), DLMS 947I.

Step 5 (Existing Procedure) - DLA Distribution locations prepare the Stock Screening Reply using the DLMS 842C/R.

Step 6 (New Procedure) - DLA Distribution locations prepare SQCR to the item manager (action copy) with Action Code 4A and to all non-managing owners (info copy) using DLMS 842S/Q transaction. The Stock Screening Request Number is perpetuated on the SQCR. This step is repeated for each owner. (Under current procedures the SQCR is sent to the materiel owner only, regardless of the item manager.)

Step 7 (New Procedure) - DSS will send one transaction with two To activities. WebSQCR will route appropriately.

Step 8 (Existing Procedure) - The manager completes investigation and determines if the non-compliance is valid.

Step 9 (New Procedure) - If the suspected non-compliance is not valid (materiel is in fact conforming), the manager will provide the SQCR reply using DLMS 842S/R or WebSQCR to the storage location indicating that the materiel, regardless of ownership, may be used as is and its condition must be upgraded to its original supply condition code (Reply Codes 130 and 134). Each owner will receive a copy of the reply through WebSQCR.

Step 10 (Existing Procedure) - DSS will upgrade the materiel to the original supply condition code.

Step 11 (New Procedure) - DSS will generate a completion notice (Transaction Set Purpose Code CN) transaction (including applicable Reply Code 410, 411, or 412).

Step 12 (New Procedure) - If the suspected non-compliance is valid (materiel is non-conforming), the manager will submit an interim response SQCR using DLMS 842S/R or WebSQCR to obtain the original requisition number(s) from the owners and to request the owners create a ship-in-place MRO using the manager provided document number(s). The reply will include interim Reply Code 523 (Return materiel to manager at current location).

Step 13 (New Procedure) - The manager will generate a PMR using DLMS 527D to the storage location to ensure the materiel will be receipted correctly to the new owner. The PMR will include the WebSQCR Control Number and Product Quality Deficiency Report (PQDR) Report Control Number (RCN) for cross reference. The PMR quantity will match the quantity on the owner SQCR.

Step 14 (New Procedure) - The owner(s) will submit an MRO (DLMS 940R/Document Identifier Code (DIC) A5_) to the distribution center storing the materiel identifying that distribution center's DoDAAC as the ship-to activity. The result of this process is ownership transfer with all the necessary transactions for compliance/auditability without physical movement of the materiel. The quantity indicated on the MRO must match the quantity indicated on the info-only SQCR.

Step 15 (New Procedure) - The owner(s) will reply to the SQCR to provide document number(s) for credit using interim Reply Code 524 (Materiel returned at current

location for credit). If owners cannot provide the original requisition number(s), they can provide a constructed document number and fund code under MILSBILLS procedures.

Step 16 (Existing Procedure) - The storage activity processes the owner's ship-in-place MRO and moves the materiel to the manager's ownership.

Step 17 (Existing Procedure) - The storage activity systemically confirms processing of the MRO to the owner using DLMS 945A/DIC AR_ or DLMS 867I/DIC D7_) and generates a receipt to the manager based upon the PMR for transfer of ownership using DLMS 527R/DIC D6_.

Step 18 (New Procedure) - DSS systemically generates an SQCR Correction (Transaction Set Purpose Code CO) with Action Code 4B to update ownership and quantity based on the PMR identification of the applicable SQCR and posting of the associated receipt.

Step 19 (New Procedure) - The manager receives the SQCR with Action Code 4B indicating the materiel was transferred to the manager's ownership. WebSQCR sends an info copy to the original owner.

Step 20 (Existing Procedure) - The manager processes a receipt against the PMR due in.

Step 21 (New Procedure) - The manager validates transfer of ownership and processes credit to owner using document number(s) provided by the owner interim reply response.

Step 22 (New Procedure) - Manager provides an SQCR Reply with disposition instructions, potentially to return materiel to contractor, ship to DLA Disposition Services, or otherwise dispose of materiel. Credit memo is sent on final reply. WebSQCR sends an info copy to the original owner.

Step 23 (Existing Procedure) - Manager sends a DLMS 940R (MRO or DRO) to storage activity for materiel disposition.

Step 24 (Existing Procedure) - DSS receives disposition instructions in an SQCR reply and associated MRO/DRO and processes accordingly.

Step 25 (New Procedure) - DSS systemically generates a completion notice (Transaction Set Purpose Code CN) transactions to the owner and manager.

(2) PMR data. The PMR requires updating to include a data field for the WebSQCR number.

(3) SDR Action Code

(a) Each SQCR directed to the manager (with information copy to the owner) under these procedures will include Action Code 4A (manager disposition requested for non-manager owned suspended stock per receipt screening; no action by owner pending item manager response).

(b) When materiel is found to be non-conforming, the manager generates the PMR and the owner submits a ship-in-place MRO. Once the receipt associated with the ship-in-place MRO is processed in DSS, then DSS will systemically create an SQCR Correction (CO) identifying the updated ownership for the receipt quantity with Action Code 4B (action transferred to manager subsequent to return of non-manager owned suspended materiel to the manager). The systemic SCQR CO is triggered in DSS by the presence of the WebSQCR number on the PMR and associated receipt and the full quantity indicated on the owners info-only SQCR and the MRO. If the WebSQCR number is not present/does not match or the quantity does not match, the MRO will be rejected and the owner must resubmit with the correct information. A separate PDC will be provided to create the capability to reject an MRO or PMR.

(4) **DSS.** A system change is required to ensure DSS does not change the SQCR status when Reply Codes 523 and 524 are used on interim replies.

(5) SLOA/Accounting Classification Data Content

(a) Pending full implementation of SLOA/Accounting Classification capability across DOD logistics processes, WebSQCR will be responsible for populating the data elements available from the SFIS Fund Code to Fund Account Conversion Table (refer to ADC 435, ADC 1043 and ADC 1043A (references 3.e., 3.f., and 3.g.)). When a constructed document number is provided in the owner SQCR reply, WebSQCR will match to the SFIS Fund Code to Fund Account Conversion table to extract the following data elements based upon Service/Agency Code (in the first position of the document number DoDAAC representing the credit-to DoDAAC) and Fund Code.

1. Department Regular Code

2. Department Transfer Code

3. Main Account Code

4. Sub-Account Code

5. Treasury Sub Class. This data element is not currently available in the SFIS Fund Code to Fund Account Conversion Table.

6. Sub-Allocation

7. Availability Type Code

8. Beginning Period of Availability/Program Year. If Availability Type Code X (no year funds) is identified in the SFIS Fund Code to Fund Account Conversion Table for the line of accounting, then the date provided will be interpreted as the Program Year and the Ending Period of Available will not apply.

9. Ending Period of Availability. Not applicable if Availability Type Code X is identified (refer to Beginning Period of Availability above).

(b) The population of SLOA data elements from the SFIS Fund Code to Fund Account Conversion Table will be necessary for SQCR reply transactions processing through WebSQCR and for replies being created via the web. However, if the SQCR reply is provided transactionally, the SLOA data may be populated by the originating system. When this occurs, it will be necessary to validate that the content matches the SFIS Fund Code to Fund Account Conversion Table for the fund code and the listed data elements. If any of the data elements populated on the transaction do not match the table, then the SQCR reply must be rejected. WebSQCR will reject incoming SQCR transactions that contain mismatched SLOA data elements using Reply Code 943 and clarifying remarks: “Discrete values for the SLOA data elements in the transaction do not match data elements from the SFIS Fund Code to Fund Account Conversion Table for the Fund Code cited in the transaction.” The remaining SLOA/Accounting data elements identified in the SQCR transaction (Enclosure 3) will not be available for initial implementation of WebSQCR. These are the subset of SLOA/Accounting data elements that may vary by transaction and, therefore, cannot be carried in the SFIS Fund Code to Fund Account Conversion Table in association with the Fund Code. However placeholders will be established in the WebSQCR database for future implementation and the DLMS Implementation Convention (IC) will identify these elements as deferred.

Staffing Note: Components are asked to verify that SLOA data elements that are not contained on the SFIS Fund Code to Fund Account Conversion Table are not needed at this time to support proper posting of SQCR credits.

(6) Materiel managers may request stock screening requests for all inspection types. Owners may request stock screenings for Type Inspection Code “P” only (Special Inspection Request to One Depot). For all other inspection types, owners must coordinate with materiel managers to screen stock. If owners suspect there may be a quality issue with their materiel stored in a DSS location, coordination with the materiel manager is required. Owner originated Stock Screening Requests may result in SQCRs submitted to other owners or the materiel manager for disposition.

Staffing Note: This new rule was created under PDC 1045. With the automation of Stock Screening Requests, owners will only be allowed to submit a Special Inspection Request to One Depot (per request).

d. Revisions to DLM 4000.25 Manual:

(1) Revise DLM 4000.25, DLMS, Volume 2, Chapter 21, Stock Readiness Program, as shown in Enclosure 2.

(2) Revise DLM 4000.25, Volume 2 Appendix 7.29, Stock Readiness Relevant Data Elements, to authorize new action code and reply codes for this process.

(a) Add action code for use in SQCR process and concurrently modify the narrative previously identified to support shared use in SDRs as shown:

“4A Manager disposition requested for non-manager owned suspended stock per receipt/*stock* screening; no action by owner pending manager response

4B *Action transferred to manager subsequent to return of non-manager owned suspended materiel to the manager*”

(b) Add reply codes as shown:

- “522 *Discrepancy report resolution pending investigation/response from item manager*
- 523 *Manager notification to owner; return materiel to manager at current location*
- 524 *Owner notification to manager; materiel returned at current location for credit*
- 943 *Transaction rejected. Standard Line of Accounting (SLOA) data elements do not match Standard Financial Information Structure (SFIS) Fund Code to Fund Account Conversion Table.”*

(3) Revise DLM 4000.25, DLMS, Volume 4, Chapter 4, Adjustment Procedures, as shown in Enclosure 3.

(4) Revise DLM 4000.25, Volume 4, as shown.

(a) Revise Appendix 2.3, Billing Advice Codes:

“26 Reply to Supply Discrepancy Report (*SDR*) (~~SF 364~~)/*Storage Quality Control Report (SQCR)* indicated adjustment authorized; however, adjustment billing not received. Request credit status.

(b) Revise Appendix 2.5, Type of Bill Codes:

WP Bill to adjust the amount previously billed due to approval of an SDR/SQCR. WP Bill to adjust the amount previously billed due to approval of an SDR/SQCR.

Staffing Note: The Finance community should confirm that it is acceptable to group SDR and SQCR under the same billing advice code and type of bill code. Alternatively, a new code could be assigned. Component Finance representatives should provide timeline for implementation of Type of Bill Code WP. Refer to Type of Bill Code WU, which is to be used until Type of Bill Code WP is implemented:

“WU Bill to adjust the amount previously billed due to approval of a discrepancy report. Use until codes QD, WP, and TD are implemented.”

(5) Revise DLMS SQCR ICs (842S/Q and 842S/R) as shown in Enclosure 3.

(6) Revise DLM 4000.25-1, MILSTRIP, Appendix 2.7 (comparable change also applies to DLM 4000.25, DLMS, Volume 2, Appendix 7.7:

| | |
|---|--|
| U | Product quality deficiency report (PQDR), <i>Storage quality control report (SQCR)</i> , and supply discrepancy report (SDR) related transactions when the original requisition number is not known. (See MILSBILLS procedures in DLM 4000.25, Volume 4, Finance.) |
|---|--|

e. **Proposed Transaction Flow:** Refer to paragraph 4.c. above for the proposed transaction flow and corresponding flow diagram shown in Enclosure 1.

f. **Alternatives:** None identified.

5. **REASON FOR CHANGE:** Establish business rules for issuing credit to non-manager owned non-conforming stock stored at DLA Distribution locations and suspended due to a stock screening action.

a. The PQDR process is used for materiel that has already been issued to the owner. Since the materiel is still in a DLA Distribution location and has not been issued for consumption, the existing PQDR process cannot be used. A Screening Point is required whenever a PQDR is submitted. Since materiel stored at a DLA Distribution location has not been issued to a customer and is in a general owner account, a Screening Point cannot be determined. When non-conforming materiel is stored at a DLA Distribution location, an SQCR is recommended as the proper vehicle for issuing credit to the owner.

b. The managing activity is the contracting authority; therefore, the business rules established herewith provide the appropriate legal action for issuing credit for non-conforming materiel owned by the non-managing activity, stored at DLA Distribution locations and suspended due to a stock screening action.

6. ADVANTAGES AND DISADVANTAGES:

a. **Advantages:** Allowing non-manager owned non-conforming stock at DLA Distribution locations to be returned to manager ownership will let the managing activity negotiate the full quantity of stock with the contractor. This will result in increased accountability and traceability of non-conforming materiel as well as a decrease in suspended stock.

b. **Disadvantages:** Unlike PQDR procedures used for DLA-managed materiel in Service “retail” locations, the Services will retain all such materiel held in DLA Distribution locations in a suspended condition and will not receive credit for the suspected non-conforming materiel until the investigation is resolved and the discrepancy/deficiency is validated.

7. ADDITIONAL COMMENTS TO CONSIDER:

a. Requests for Change (RFC) will need to be submitted to DSS and DLA EBS to provide a script for instructions to be included in the SQCR to the Service owners. The RFCs will provide the explicit text to populate the remarks field in the SQCR reply to ensure instructions are clear and uniform across DLA Supply Chains and DLA Distribution locations.

b. The SQCR interim reply function is based on the approval and implementation of PDC 1045 (reference 3.c.). Returning the interim reply will provide visibility of the ongoing investigation/evaluation to the non-managing owner and update the WebSQCR database.

c. The SQCR is sent from DSS to the manager for action and the owner for information only. If the owner responds to the information only SQCR before the manager responds, DSS will send a SQCR Status Update (Transaction Set Purpose Code SU) transaction with Reply Code 522 to reject the owner’s response.

8. ADDITIONAL FUNCTIONAL REQUIREMENTS:

a. When non-conforming non-manager owned stock is not stored at a DSS distribution center, the owner will submit a PQDR (SF 368) for credit/replacement/repair to the manager. The PQDR is the vehicle for resolution of issued materiel.

b. Additional requirements for rejecting an MRO or PMR will be developed in a separate PDC. Currently, DSS does not have the capability to reject (DLMS 824R- Reject Advice) MROs or PMRs. This process is required when the MRO and/or PMR quantity does not match the quantity on the SQCR.

c. Additional requirements are being developed to address handling of SDR disposition instructions provided by the owner when there is an open SQCR for matching materiel. As an interim measure, DLA Distribution will provide an updated standard operating procedure applicable to processing disposition instructions. The new procedures will require the distribution center personnel to check for an open SQCR when the owner SDR reply directs either upgrading or disposing of suspended materiel. The distribution center will prepare an SDR reply formatted as a reconsideration request explaining that there is an open quality issue, providing details as available and recommending coordination with the manager. DLA J33 will prepare a separate PDC to document and coordinate this process.

9. ESTIMATED TIME LINE/IMPLEMENTATION TARGET: Target implementation for DLA Transaction Services, DLA EBS, and DLA DSS is one year from date of signature, simultaneous with the implementation of PDC 1045 (anticipated for late FY 2015). These procedures extend to Component systems under modernization and DLMS implementation no later than 2019.

10. ESTIMATED SAVINGS/COST AVOIDANCE ASSOCIATED WITH IMPLEMENTATION OF THIS CHANGE: Not available at this time. This change provides capability for reimbursement to materiel owners for otherwise lost expenditures.

11. IMPACT:

a. **New DLMS Data Elements:** There are no new data elements introduced by this DLMS change.

b. **Changes to DLMS Data Elements:** Update the DLMS Dictionary to include the identified action code and reply code values applicable to SQCRs. Also update the definition for the type of bill code, billing advice code, and utilization code U as indicated above.

c. **Automated Information Systems (AIS):** This change impacts EBS and DSS as described above. These procedures extend to Component systems under modernization and DLMS implementation.

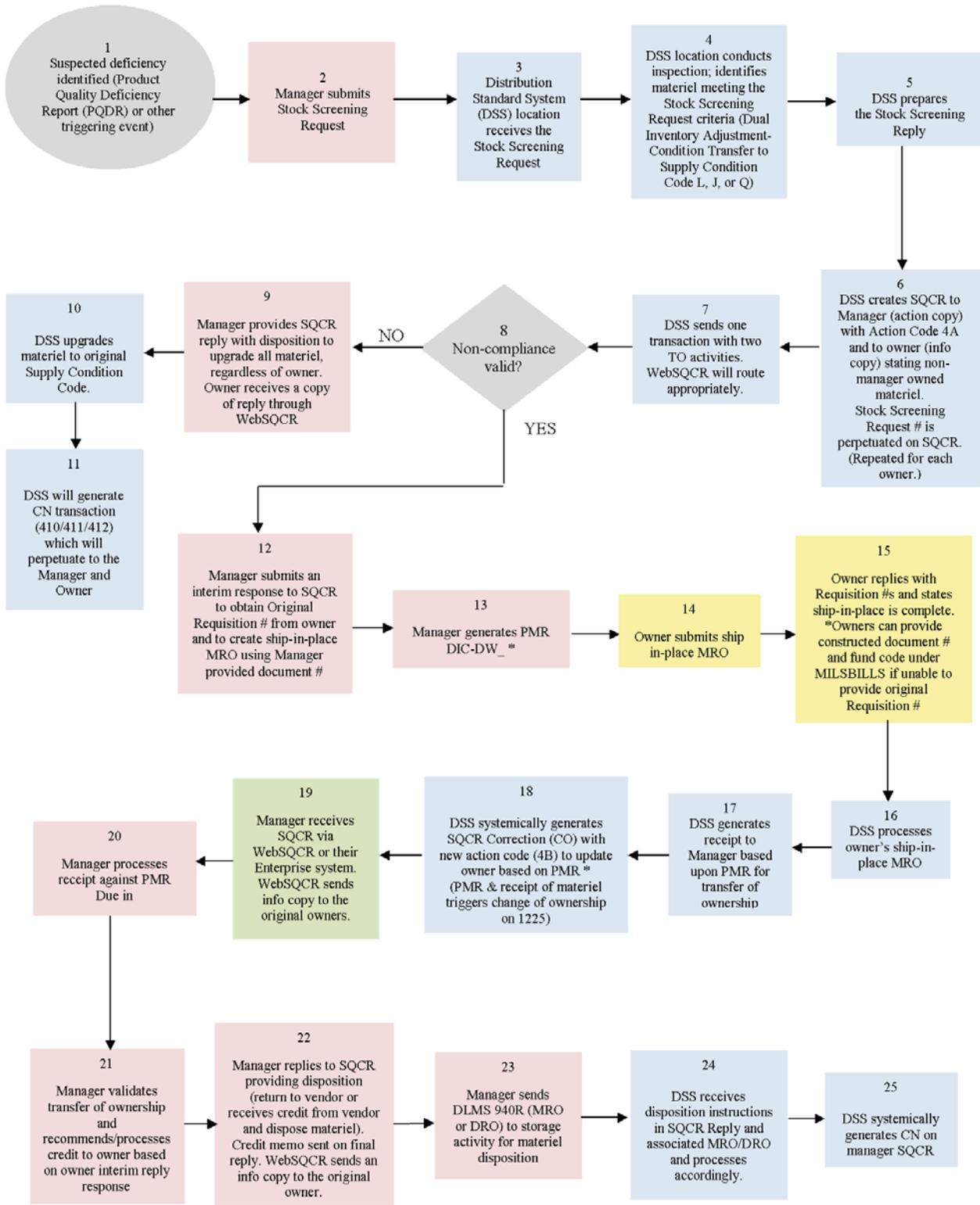
d. Non-DLA Logistics Management Standards Publications:

(1) Procedures must be documented in internal Service/Agency guidance.

(2) Proposed update to DLAI 4145.4/AR 740.3/AFMAN 23-125(IP)/NAVSUPINST 4400.100A/MCO 4450.15A: Page 13, paragraph 3a.(2):

“When the DLA Distribution Center receives a Stock Screening Action from the Manager via the Enterprise Business System (EBS) (DLA-managed) or Web Stock Screening (Service-managed), the workload is automatically generated in DSS. The DLA Distribution Center must record the inspection results in DSS and reply back to the Manager. If the inspection results identify non-manager owned non-conforming materiel, the DLA Distribution Center must prepare a Storage Quality Control Report (SQCR) (DD Form 1225) to the Manager for action and to the owner for information only. The SQCR will include the Stock Screening Request Number notifying the owners of the stock screening action.”

Enclosure 1, Flow Diagram



*These steps are repeated so each DSS location with non-manager owned 1225 receives PMR. PMR must include Stock Screening Request #, WebSQCR#, DCN, and PQDR RCN.



Enclosure 2, DLMS Manual Revisions - Supply

Revise DLM 4000.25, Defense Logistics Management System, Volume 2, Chapter 21, Stock Readiness Program, as shown: (significant changes are identified by *red bold italic*). Renumber paragraphs as appropriate.

C21. CHAPTER 21

STOCK READINESS PROGRAM

[Preceding text not shown]

“C21.4.8. Quality Related Issues Identified as a Result of a Stock Screening Request Initiated by a Non-Ownning Manager.¹ When the DLA Distribution Center receives a Stock Screening Request, the inspection workload is automatically generated in DSS. The DLA storage activity must record the inspection results in DSS and forward to the item manager. If the inspection results identify non-manager owned suspected non-conforming materiel, the DLA storage activity will suspend the materiel and must prepare a SQCR to the item manager with an information copy to the non-managing owner. The SQCR will include Action Code 4A indicating the SQCR is for non-manager owned materiel. The Stock Screening Request number will be perpetuated on the SQCR. This process is primarily designed to allow the non-managing owner to obtain credit for non-conforming materiel that is located in a DLA storage activity and return that materiel to the manager’s ownership.

C21.4.8.1. Upon completion of the investigation, if the suspended materiel is found to be non-conforming, the manager will provide an interim SQCR response to the owner(s) using Reply Code 523 requesting original requisition numbers and asking the owner to create a ship-in-place MRO to the distribution center(s) where the materiel is located using the manager-provided document number. Concurrent with the SQCR interim reply, the manager will provide a prepositioned materiel receipt (PMR) to the applicable distribution center(s) identifying the manager as the activity to which the receipt transferring ownership will be directed. If the owner no longer knows the specific document number under which the materiel was requisitioned, a constructed document number may be used. When a constructed document number is provided, Standard Line of Accounting (SLOA)/Accounting Classification data content may be populated manually or referentially through the authoritative data source SFIS Fund Code to Fund Account Conversion Table maintained at DLA Transaction Services.

C21.4.8.2. Standard Line of Accounting/Accounting Classification Data Elements. Under DLMS, logistics transactions with financial implications are required to carry discrete SLOA/Accounting Classification data elements. This requirement applies to the SQCR Reply where the original SLOA/Accounting Classification data was not previously provided as indicated by the use of a constructed document number by the non-manager owner requesting credit for suspended stock. Pending full implementation of SLOA/Accounting Classification across DoD logistics processes, WebSQCR will be responsible for populating the data elements available from the Standard Financial Information Structure (SFIS) Fund Code to Fund Account Conversion Table. The remaining SLOA/Accounting data elements identified in the SQCR Reply transaction will not be available for initial implementation of WebSQCR. When a constructed document number is

¹ Refer to PDC 1084.

provided in the owner's SQCR reply, WebSQCR will match to the table to extract the following data elements based upon Service/Agency Code (in the first position of the document number DoDAAC representing the credit-to DoDAAC) and Fund Code:

- *Department Regular Code*
- *Department Transfer Code*
- *Main Account Code*
- *Sub-Account Code*
- *Treasury Sub Class*
- *Sub-Allocation*
- *Availability Type Code*
- *Beginning Period of Availability/Program Year. If Availability Type Code X (no year funds) is identified in the SFIS Fund Code to Fund Account Conversion Table for the line of accounting, then the date provided will be interpreted as the Program Year and the Ending Period of Available will not apply.*
- *Ending Period of Availability. Not applicable if Availability Type Code X is identified (refer to Beginning Period of Availability above)*

C21.4.8.3. In order to transfer ownership of the suspended materiel to the manager, the owner will provide a DLMS 940R Materiel Release Order (MRO) to the distribution center. The MRO must be formatted for shipment-in-place and should reflect the full quantity identified on the SQCR. Upon processing of the associated receipt, the presence of the SQCR control number in the PMR will trigger the generation of a correction to the SQCR data by the distribution center. The SQCR correction will cite Action Code 4B and indicate the quantity transferred to ownership of the manager. Upon successful processing of the receipt for the nonconforming materiel, the manager will provide credit to the owner under MILSBILLS procedures.

C21.4.8.4. The manager will provide disposition for all suspended materiel via SQCR reply. Additionally, the manager will provide a DLMS 940R Materiel Release to the storage activity to trigger shipment or disposal action as required. Upon completion of the actions identified by the manager's disposition instructions, the DLA distribution center(s) will provide a completion notice to the item manager with an information copy to the original owner.

Enclosure 3, DLMS Manual Revisions - Finance

Revise DLM 4000.25, Defense Logistics Management System, Volume 4, Chapter 21, Stock Readiness Program, as shown: (significant changes are identified by *red bold italic*)

C4.10. ADJUSTMENTS FOR DISCREPANCY REPORTS

C4.10.1. Financial Adjustment

C4.10.1.1. Discrepancy reports shall be submitted, reviewed, processed, validated, and responded to in accordance with the procedures described in the requirements in Table C4.T1.

Table C4.T1. Adjustments to Discrepancy Reports

| |
|--|
| Reporting of Transportation Discrepancies in Shipments <u>DTR 4500.9-R "Defense Transportation Regulation"</u> |
| Supply Discrepancy Reporting, <u>DLM 4000.25, <i>Volume 2</i></u> , Chapter 17 |
| Product Quality Deficiency Program, <u>DLAR 4155.24/AR 702-7/SECNAVINST4855.5A/AFR 74-6</u> |
| <i>Stock Readiness Program, <u>DLM 4000.25, Volume 2, Chapter 21</u></i> |

C4.10.1.2. Billing offices *will* process financial adjustments or claims citing

the applicable Type of Bill Code (QD, WP, WU, or TD) based on the discrepancy report when the discrepancy report is validated and all of the following MILSBILLS or GSA criteria are met:

C4.10.1.2.1. Discrepancy Not Otherwise Resolved. The discrepancy was not resolved otherwise; for example, the vendor does not replace deficient materiel for a validated PQDR.

C4.10.1.2.2. Materiel Billed and Paid. The materiel was billed and paid previously or, in the case of reporting on a constructed document number, there is a reasonable basis for assuming that the items were previously billed and paid.

C4.10.1.2.3. Materiel Returned. The materiel is received by the depot in those cases where the discrepancy report reply requires the return.

C4.10.1.3. The discrepancy involves GSA shipments and the Transportation

Discrepancy Report (TDR) exceeds \$25 per line (detail billing record) (DBR) or the Supply Discrepancy Report (SDR) exceeds \$50 per line (DBR). There is no minimum adjustment level on PQDRs involving GSA shipments. There is no adjustment dollar value limitations for discrepancies involving DoD shipments *or materiel in storage reported via Storage Quality Control Report (SQCR)*.

C4.10.1.4. The original MILSTRIP requisition number is included on the PQDR, ~~or~~ SDR, *or SQCR*. When the original requisition number cannot be identified, the originating *or, materiel owner*, or screening point must include a constructed 14 position MILSTRIP document number using the originating *or, owning activity*, or screening point's DoDAAC for the first six characters, the current Julian date (YDDD) for the next four positions, and a four position serial number with "U" as the first position of the serial number. An example of a constructed document

number is F123453175 U001. Code U is also carried as a utilization code under DLMS. Note: For SDRs, circumstances authorizing the use of a constructed document number are restricted to those described in DLMS, Volume 2, Chapter 17. ***For SQCRs, circumstances authorizing the use of a constructed document number are restricted to those described in DLMS, Volume 2, Chapter 21.***

~~C4.10.1.5. The discrepancy report for a GSA shipment is received by GSA, except when extenuating circumstances or high dollar values warrant special consideration, within the following timeframes:~~

~~C4.10.1.5.1. Within 1 year of the shipment date for PQDRs except:~~

~~C4.10.1.5.1.1. For items under warranty that must be received within the time limits prescribed in the individual warranty.~~

~~C4.10.1.5.1.2. For shelf life items that must be received prior to the expiration of the shelf life period and within 1 year of the shipment date.~~

~~C4.10.1.5.2. Within 180 calendar days of the shipment date for other than quality deficiencies except for:~~

~~C4.10.1.5.2.1. Shipments for security assistance consignees that must be received within 18 months of the shipment date; and~~

~~C4.10.1.5.2.2. Shipments to consignees located in the CONUS, Hawaii, the Commonwealth of Puerto Rico, the Virgin Islands, the southeast peninsula of Alaska, central Alaska (rail belt), and Kodiak Island that must be received within 120 calendar days of the shipment date.~~

Staffing Note: Time standards for submission of discrepancy reports are removed as this information does not belong in the financial adjustment chapter (above includes information conflicting with the authoritative source).

C4.10.1.5. Improper Commitment. When a reply to a discrepancy report improperly commits the billing office to providing an adjustment (e.g., the shipment was never billed), the billing office will ask the replying office to correct the reply to the discrepancy report.

C4.10.2. Other Discrepancy Adjustment Rules

C4.10.2.1. Adjusting Discrepancy Reports. Requests for adjustments related to TDRs will be submitted only when the adjustment is not received within 60 calendar days from the date when the report was filed. Requests related to PQDRs, ~~and~~ SDRs, ***and SQCRs*** should be timely, but ***must*** not be submitted until a minimum of 60 calendar days have elapsed since receiving notification that the discrepancy is validated (i.e., that an adjustment is approved). When the promised adjustment for a discrepancy is contingent upon the return of materiel, the request must not be submitted until a minimum of 60 calendar days have elapsed since shipping the materiel with additional allowance for transportation time to the shipping activity. When a reply to a discrepancy report is not received, follow up as prescribed by DLMS Volume 2, Chapter 17 ***or 21, as applicable.***

C4.10.2.2. The portion of credits for materiel laterally redistributed may be fully or partially reversed by the Integrated Materiel Manager (IMM) when a discrepancy report documents the materiel was not shipped in a condition warranting full credit.

C4.10.2.3. Activities responsible for discrepant shipments may be held responsible for costs incurred for repackaging, disposal, unauthorized returns, deficient packaging, and other item and packaging discrepancies that have been documented and validated under SDR procedures. Although other mutually agreeable arrangements may be made, such costs will normally be recovered under noninterfund procedures and will be supported by the validated discrepancy report. In addition, when such returns are creditable, these discrepancy costs may be offset against the credit to which the returning activity is otherwise entitled.

Enclosure 4, DLMS Implementation Convention Revisions

Revise the DLMS 842S/R, Storage Quality Control Report (SQCR) Reply as follows:

| # | Location | Change Table for 842S/R SQCR Reply | Reason |
|----|------------------------|--|--|
| 1. | DLMS Introductory Note | <p><u>Add PDC 1066 to DLMS Introductory notes:</u></p> <p>- PDC 1084, New Procedures for Non-Manager Owned Suspended Stock Stored in DLA Distribution Locations</p> | Identifies DLMS changes included in the implementation convention. |
| 2. | 2/REF01/0700 | <p><u>Add Qualifier TN with associated DLMS Note:</u></p> <p>TN Transaction Reference Number DLMS Note: <i>Use to perpetuate the applicable document number from the original SQCR. (The SQCR document number may be system-generated/assigned by the storage activity when a document number is no longer associated with the materiel in storage.)</i></p> <p>8V Credit Reference DLMS Note: <i>1. Use with Reply Code 524 to provide the original billed document number when requesting credit for non-manager owned suspended stock. Use multiple repetitions as needed.</i> <i>2. If the original billed document number is not available, a constructed document number may be provided. Refer to PDC 1084.</i></p> | Supports new procedures. |
| 3. | 2/REF04-01/0700 | <p><u>Add new DLMS note 3 for existing Qualifier W8:</u></p> <p>W8 Suffix DLMS Note: 1. When citing the requisition number (using Transaction Reference Number, Code TN), use to identify the document number suffix if one is provided. 2. When used in association with the Requisition Alert Document Number (Qualifier PWC, above), this will be the requisition alert document suffix. The Requisition Alert Document Number Suffix is an Authorized DLMS enhancement under DLA industrial activity support agreement. Refer to ADC 381. <i>3. When providing the original billed document number (using Code 8V), use to identify the original billed document number suffix if applicable. Refer to PDC 1084.</i></p> | Adds new usage instructions. |

| # | Location | Change Table for 842S/R SQCR Reply | Reason |
|----|---|---|--|
| 4. | 2/LQ01/1050 2/LQ01/1050 (continued) | <u>Add Qualifier AJ with associated DLMS notes:</u> AJ Utilization Code DLMS Note: <i>1. Under DLSS, this is the first position of the serial number within the document number.</i> <i>2. Cite Utilization Code U when using a constructed document number to request credit for non-manager owned suspended stock. Refer to PDC 1084.</i> | Utilization code added for consistency with this DLMS enhancement across most DLMS transactions. |
| 5. | 2/FA1/1350 | <u>Open loop, by marking segment FA1 as must use:</u> FA1 Type of Financial Accounting Data DLMS Note: <i>Use this segment to comply with the DoD SLOA/Accounting Classification only when requesting credit for non-manager owned suspended stock on an SQCR using a constructed document number.</i> | Required content for financial actions under DOD SLOA/Accounting Classification policy. |
| 6. | 2/FA101/1350 | <u>Mark Data Element FA101 as Used and add the following qualifiers and DLMS Note:</u> DF Department of Defense (DoD) DLMS Note: <i>Use to indicate that the Component is a Department of Defense agency, including Defense Logistics Agency.</i> DN Department of the Navy DLMS Note: <i>Includes the United States Marine Corps.</i> DY Department of Air Force DZ Department of Army FG Federal Government | Provides guidance for use. |
| 7. | 2/FA102/1350 | <u>Mark Data Element FA102 as Used add qualifier D340 and DLMS note</u> D340 Good and Services Charge DLMS Note: <i>Use for both materiel and related services.</i> | Provides guidance for use. |
| 8. | 2/FA2/1360 | <u>Open FA2 segment and include new segment level DLMS note:</u> DLMS Note: <i>Use this segment to comply with the DoD SLOA/Accounting Classification only when requesting credit for non-manager owned</i> | Provides guidance for use. |

| # | Location | Change Table for 842S/R SQCR Reply | Reason |
|---|-----------------------------|---|--------|
| | 2/FA201/1360 (continued) | <p><i>authorized to populate this data element from the SFIS Fund Code to Fund Account Conversion Table. Refer to PDC 1084.</i></p> <p><i>2. Sub Class is a potential future DLMS enhancement. Components must coordinate requirements and business rules with DLA Logistics Management Standards Office prior to use.</i></p> <p>A6 Sub-Account Symbol DLMS Note: <i>For DoD SLOA/Accounting Classification use to identify “Sub Account”. Refer to PDC 1084.</i></p> <p>AI Activity Identifier DLMS Note: <i>1. For DoD SLOA/Accounting Classification use to identify “Activity Identifier”. Implementation deferred; refer to PDC 1084.</i> <i>2. Qualifier AI is a migration code approved for use in X12 version 7020.</i></p> <p>B2 Budget Sub-activity Number DLMS Note: <i>For DoD SLOA/Accounting Classification use to identify “Sub-Allocation (formerly known as Limit/Subhead)”. Implementation deferred; refer to PDC 1084.</i></p> <p>B5 Fund Code DLMS Note: <i>1. Must use with Reply Code 524 when using a constructed document number to request credit for non-manager owned suspended stock; otherwise do not enter.</i> <i>2. Business rules for use of a constructed document number apply. Refer to PDC 1084.</i></p> <p>BE Business Event Type Code DLMS Note: <i>1. Reserved for DoD SLOA/Accounting Classification use to identify, or to modify, “Business Event Type Code”. Implementation deferred; refer to PDC 1084.</i> <i>2. Business Event Type Code is a potential future DLMS enhancement. Components must coordinate requirements and business rules with</i></p> | |

| # | Location | Change Table for 842S/R SQCR Reply | Reason |
|---|-------------|---|--------|
| | (continued) | <p><i>2. Use as appropriate to represent the Program Year. Availability Type Code must be X. Refer to ADC 1043B. Pending DoD implementation, WebSQCR is authorized to populate this data element from the SFIS Fund Code to Fund Account Conversion Table. Refer to PDC 1084.</i></p> <p><i>3. Authorized DLMS enhancement; see introductory DLMS note 5.</i></p> <p><i>4. Qualifier YB is a migration code approved for use in X12 version 7020.</i></p> <p>YE Ending Period of Availability Fiscal Year Date</p> <p>DLMS Note:</p> <p><i>1. For DoD SLOA/Accounting Classification use to identify “Ending Period of Availability Fiscal Year Date”. Pending DoD implementation, WebSQCR is authorized to populate this data element from the SFIS Fund Code to Fund Account Conversion Table. Refer to PDC 1084.</i></p> <p><i>2. Authorized DLMS enhancement; see introductory DLMS note 5.</i></p> <p><i>3. Qualifier YE is a migration code approved for use in X12 version 7020.</i></p> | |

Enclosure 5, Screenshot for WebSQCR Reply from Owner



SQCR

Manager_Owner Rep