



DEFENSE LOGISTICS AGENCY  
HEADQUARTERS  
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FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY  
REFER TO DLMSO

April 15, 2010

MEMORANDUM FOR NAVY and DLA SUPPLY AND FINANCE PROCESS REVIEW  
COMMITTEE (PRC) MEMBERS

SUBJECT: Proposed Defense Logistics Management System (DLMS) Change (PDC) 405, Revise DLMS 947I Inventory Adjustment to Identify Loss due to Destructive Test in Support of Navy-DLA BRAC SS&D/IMSP (Supply/Finance)

We are forwarding the attached proposed change to DOD 4000.25-M, DLMS, for evaluation and submission of a single coordinated Component position. It is the responsibility of the Navy and DLA Supply PRC representative 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 15 days from the date of this memorandum**. If non concurrence is provided, please provide an alternate method to meet the requirement being addressed. This change is required for an upcoming Defense Logistics Agency (DLA) and Navy release to support Base Realignment and Closure (BRAC) Retail Supply, Storage and Distribution (SS&D)/Inventory Management and Stock Positioning (IMSP). An expedited response is required to meet timing for DLA and Navy programming to support BRAC SS&D/IMSP. DLA Enterprise Business System (EBS), DLA Distribution Standard System (DSS), Navy Shipyards, Navy Fleet Readiness Centers, and Defense Automatic Addressing System Center (DAASC) have immediate authorization to use these requirements by their mutual agreement, pending approval, with the understanding that the requirements may change depending upon staffing results.

Addressees may direct questions to the DLMSO point of contact Ms. Mary Jane Johnson, Supply PRC Co-chair, email: [Mary.Jane.Johnson@dla.mil](mailto:Mary.Jane.Johnson@dla.mil) and Mr. Robert Hammond, Finance PRC Chair, email: [Robert.Hammond@dla.mil](mailto:Robert.Hammond@dla.mil). Others must contact their Component designated Supply PRC or Finance PRC representative.

  
DONALD C. PIPP  
Director  
Defense Logistics Management  
Standards Office

Attachment

cc:  
ADUSD(L&MR)SCI  
Supply and Finance PRC members for remaining DOD Components  
Joint Physical Inventory Working Group

## ATTACHMENT TO PDC 405

### Revise DLMS 947I Inventory Adjustment to Identify Loss due to Destructive Test in Support of Navy-DLA BRAC SS&D/IMSP (Supply/Finance)

#### 1. ORIGINATOR:

- a. **Service/Agency:** Defense Logistics Agency
- b. **Originator:** Annette Spry, DLA J-331, 703-325-1924 (DSN 427)

#### 2. FUNCTIONAL AREA: Primary: Supply/Logistics; Finance

#### 3. REFERENCES:

- a. Functional Requirements for DLA's implementation of the BRAC SS&D.
- b. Draft PDC 366, DLMS Revisions Supporting the Requisition Alert Transaction and Materiel Identification associated with DLA Support to Navy Shipyards (NSYs) and Fleet Readiness Centers (FRC) under BRAC SS&D/IMSP (Supply/Finance). [DLMSO anticipates PDC 366 will be released for PRC review in April 2010]

#### 4. REQUESTED CHANGE:

- a. **Description of Change:** This change request proposes adding a new Quantity or Status Adjustment Reason Code 'AP' for use on DLMS 947I Inventory Adjustment loss (MILSTRAP DI Code D9\_ functionality), to indicate that the inventory adjustment loss is the result of material being destroyed in test.
- b. **Background:** As a result of the 2005 BRAC decision, retail supply, storage and distribution functions and associated infrastructure supporting the Navy industrial/maintenance sites will transfer to DLA. The Navy sites consist of 2 **Naval Shipyards (NSY)** and 3 **Fleet Readiness Centers (FRC)**. The intent of the directive is to significantly improve combat effectiveness while reducing costs by developing a world-class, cost-effective supply chain focused on readiness; taking every opportunity to eliminate waste, reduce touches, reduce cost, and improve readiness.
- c. **Detailed Procedures:** NSYs and FRCs have inspection/testing requirements that are additional to those used currently by DLA. This testing often requires a portion of the items to be destroyed during testing to determine acceptability of an item. To provide for physical and financial inventory control, the following applies:
  - (1) **FRC.** At the FRC sites the material will be issued on a funded requisition and testing will be done after the materiel is issued to Navy. If any deficiency is found, Navy will use the Product Quality Deficiency Report (PQDR) process for the total quantity deficient, or potentially deficient, to report any problems with the material.

(2) **NSY.** At NSY sites material will be inspected at time of receipt, i.e., prior to issue to the Navy and while the material is still under DLA ownership. This inspection requirement will be communicated through the 527D Prepositioned Material Receipt (PMR) transactions to the receiving DSS co-located IA depot.<sup>1</sup> Upon receipt, the DLA DSS co-located IA depot will place the quantity in supply condition code (SCC) “J” and the Navy quality assurance (QA) office will be contacted for the detailed inspection requirements. If through this inspection material is destroyed, DLA DSS co-located IA depot will process a 947I inventory adjustment loss and pass to DLA Enterprise Business System (EBS). The inventory adjustment transaction will reflect the new Quantity or Status Adjustment Reason Code ‘AP’ and the quantity destroyed.

(a) DLA systems will track the destroyed inventory by the 947I Quantity or Status Adjustment Reason Code ‘AP’.

(b) Navy will reimburse DLA, via the MIPR process, for destroyed inventory that pass inspection on a scheduled basis (monthly, quarterly) and produce a line item report of inventory associated with the adjustment reason code. DLA will have the ability to provide line item detail for the total cost billed to Navy.

(c) If inventory passes inspection, any remaining quantity associated with this receipt will be moved to SCC ‘A’ condition.

(d) If inventory fails inspection, any remaining quantity associated with this receipt will be suspended allowing for litigation and contract resolution if applicable, through the PQDR process. Refer to DOD 4000.25-2-M, MILSTRAP, Chapters 4 (Receipt) and chapter 5 (Adjustments) for specific guidance on use of SCC Q (Suspended (Product Quality Deficiency)) and SCC L (Suspended (Litigation)). MILSTRAP/DLMS state that when inspection or technical/engineering analysis of material indicates that litigation action is required, the owner will direct transfer of the material to SCC L.

**d. Revise DLMS 947I as follows.** Update to version 4030 is shown; corresponding update will be made to version 4010. **[NOTE: For item unique identification (IUID) capability, 947I version 4030 must be implemented. All new implementations should use 947I version 4030.]**

Item #	Location Version 4030	DS 947I Inventory Adjustment (Table Locations address 947I version 4030, corresponding changes are being made to 947I version 4010)	Reason
1.	DLMS Introductory Notes	<u>Add PDC 405 to Intro note for PDCs/ADCs:</u> - <i>PDC 405, Revise DLMS 947I Inventory Adjustment to Identify Loss due to Destructive Test in Support of Navy-DLA BRAC SS&amp;D/IMSP (Supply/Finance).</i>	To identify DLMS changes included in the DS.

<sup>1</sup> Draft PDC 366 (reference 3b) adds an ‘Inspection Parameters Code’ to several DLMS Supplements (DS) to include DS 527D. DLMSO anticipates PDC 366 will be released for PRC review in April 2010.

Item #	Location Version 4030	<b>DS 947I Inventory Adjustment</b> (Table Locations address 947I version 4030, corresponding changes are being made to 947I version 4010)	Reason
2.	2/W1901/0200	<u>Revise W1901 DLMS note:</u>  <b>DLMS Note:</b> 1. The information conveyed by the W1901 Quantity or Status Adjustment Reason Code corresponds to the functionality conveyed by the third position of MILSTRAP Document Identifier (DI) Codes D8_ or D9__, and by the DI Code DAC ( <del>code AC</del> ), DAD ( <del>code AD</del> ) or DAS ( <del>code AG</del> ) reasons for inventory adjustment, <b><i>when there is a corresponding MILSTRAP functionality.</i></b> The corresponding MILSTRAP DI Code is shown after each adjustment reason code below for information in a mixed DLSS/DLMS environment. <b><i>Codes for functionality that was not available in MILS show no corresponding MILSTRAP DI Code.</i></b>	Administrative update for clarification.
3.	2/W1901/0200	<u>Add new qualifier 'AP' with DLMS note:</u>  <b>AP Product/Formula Evaluation and Testing</b>  <b>DLMS Note:</b> <i>1. Use to identify inventory adjustment decreases due to loss from destructive test. Authorized for Navy and DLA use to support BRAC SS&amp;D IMSP.</i>  <i>2. Except as noted above, this is a DLMS enhancement; see introductory DLMS note 4a.</i>	To accommodate Navy-DLA BRAC SS&D/IMSP requirement to identify an inventory adjustment loss that is the result of destructive test.

e. Revise the table for 'Correlation of MILSTRAP DI Code Functionality to DLMS Supplements (DS)' (DS Sequence) to add code 'AP' as shown below (change is identified by ***red bold italics***). Table is available at: <http://www.dla.mil/j-6/dlms/eApplications/LogDataAdmin/dlssdlmscrossreftable.asp>.

DS #	DLMS Supplement Title	DI Code(s)	DS Accredited Standards Committee (ASC) X12 Functional Equivalent to MILSTRAP DI Code	
			Beginning Segment	Additional Information needed

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947I	Inventory Adjustments	D8_, D9_	1/W1505/0200 Transaction Type Code NU – Inventory Adjustment	<p>For Increase (D8_) use 2/W1916/0200 Inventory Transaction Type Code AJ -Inventory Adjustment Increase</p> <p>For Decrease (D9_) use 2/W1916/0200 Inventory Transaction Type Code AD-Inventory Adjustment Decrease</p> <p>2/W1901/0200 “Quantity or Status Adjustment Reason Code” = equivalent to 3<sup>rd</sup> position DI Code:</p> <table border="0"> <thead> <tr> <th><u>3<sup>rd</sup> Pos</u></th> <th><u>W1901 Code</u></th> </tr> </thead> <tbody> <tr><td>D8A or D9A</td><td>AA</td></tr> <tr><td>D8B or D9B</td><td>AB</td></tr> <tr><td>D8C or D9C</td><td>AC</td></tr> <tr><td>D8D or D9D</td><td>AD</td></tr> <tr><td>D8E or D9E</td><td>AK</td></tr> <tr><td>D8F or D9F</td><td>AL</td></tr> <tr><td>D9G only</td><td>AJ</td></tr> <tr><td>D9H only</td><td>AI</td></tr> <tr><td>D8J or D9J</td><td>AE</td></tr> <tr><td>D8K or D9K</td><td>AF or AN</td></tr> <tr><td>D8S or D9S</td><td>AG</td></tr> <tr><td>D8Z or D9Z</td><td>AH</td></tr> <tr><td>-----NA-----</td><td>AP</td></tr> </tbody> </table>	<u>3<sup>rd</sup> Pos</u>	<u>W1901 Code</u>	D8A or D9A	AA	D8B or D9B	AB	D8C or D9C	AC	D8D or D9D	AD	D8E or D9E	AK	D8F or D9F	AL	D9G only	AJ	D9H only	AI	D8J or D9J	AE	D8K or D9K	AF or AN	D8S or D9S	AG	D8Z or D9Z	AH	-----NA-----	AP
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D8Z or D9Z	AH																															
-----NA-----	AP																															

**5. DAASC Mapping:** Update DAASC to allow new data to pass any applicable edits.

**6. ALTERNATIVES:** None identified.

**7. REASON FOR CHANGE:** DLA requires ability to identify inventory losses as the result of destructive testing to provide line item detail as well as total cost to the NSY on a scheduled basis. This code will be used by the DLA DSS co-located IA depot at the BRAC NSY sites. The BRAC FRC sites, having much shorter product production times than NSYs, must where possible bill an actual customer directly, obtaining and applying defective credits as they occur and avoiding increased indirect rates shared across all fleet customers.

**8. ADVANTAGES AND DISADVANTAGES:**

**a. Advantages:** Enable DLA to have visibility of all material destroyed during destructive testing as the result of Navy requirements and bill the Navy accordingly.

**b. Disadvantages:** None identified.

**9. ESTIMATED TIME LINE/IMPLEMENTATION TARGET:** Testing will begin June 2010. Target implementation is December 2010.

**10. IMPACT:**

**a. Publications.** Requires update to DLMS 947I and DLMS Data Dictionary Quantity or Status Adjustment Reason Code to add new code value.

**b. Automated Information Systems (AIS):** DLA EBS, DLA Distribution Standard System (DSS), and Navy systems must recognize/process a new code value.

**c. DLMS Data Elements:** No DLMS data elements are being added by this change. This change proposes revision of the DLMS use of ASC X12 data element ID 181 (Quantity or Status Adjustment Reason Code), to authorize use of existing ASC X12 value 'AP' in DLMS 947I W1901.