



**DEFENSE LOGISTICS AGENCY
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September 17, 2014

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

**SUBJECT: Proposed Defense Logistics Management Standards (DLMS) Change (PDC) 1126,
Revised Supply Discrepancy Report (SDR) Routing Rules for Non-Manager
Owned Suspended Stock Identified at Time of Receipt at DLA Distribution Centers
(SDR/Supply)**

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

Request you review the attached proposed change and provide your comments/concurrence to Defense Logistics Management Standards Office 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 SDR System Administrator, 703-767-0676 or DSN 427-0676, e-mail: ellen.hilert@dla.mil; others must contact their Component designated Supply PRC representative or SDR Subcommittee representative available at <https://www.dla.mil/j-6/dlms0/CertAccess/SvcPointsPOC/allpoc.asp>.

A handwritten signature in blue ink, reading "Donald C. Pipp", is positioned above the printed name.

DONALD C. PIPP
Director
Defense Logistics Management
Standards Office

Attachment
As stated

cc:
ODASD (SCI)

Attachment to PDC 1126
Revised Supply Discrepancy Report (SDR) Routing Rules for
Non-Manager Owned Suspended Stock Identified at Time of Receipt at
DLA Distribution Centers

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION:

a. Technical POC: Ms. Ellen Hilert, DOD SDR System Administrator, 703-767-0676 or DSN 427-0676, e-mail: ellen.hilert@dla.mil

b. Functional POC: Ms. Ellen Hilert, DOD SDR System Administrator, 703-767-0676 or DSN 427-0676, e-mail: ellen.hilert@dla.mil

2. FUNCTIONAL AREA: Supply Discrepancy Reporting

3. REFERENCES:

a. [DLM 4000.25-M, Defense Logistics Management System, Volume 2, Supply, Chapter 17, Supply Discrepancy Reporting Procedures](#)

b. [14-2 PRC Focused Topic Meeting: Quality Related Receipt Notification SDRs](#) (May 7, 2014)

c. [DTR 4500.9-R](#), Defense Transportation Regulation, Part II, Appendix L

4. REQUESTED CHANGE(S):

a. Brief Overview of Change: 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. These SDRs do not report a supply discrepancy; they instead report receipt of materiel meeting specific quality-related criteria identified by the three-position Q-series discrepancy code. The proposed procedures will facilitate return of suspended quality deficient materiel to the item manager responsible for the screening action and subsequent reimbursement for the current owner using defined business rules. In addition to the revised procedures, this change establishes: (1) a new SDR action code for use on receipt notification SDRs for non-manager owned materiel, and (2) a new interim SDR reply code for use by the storage activity in response to premature SDR replies by the owner. Additionally, this change proposes consolidation of two existing receipt notification three-position Q-series discrepancy codes.

b. Background: When the item manager submits a Stock Screening Request (DLMS 842CI transaction or equivalent email request) to DLA Distribution Centers, all stock under DLA Distribution visibility is screened regardless of ownership. SDRs prepared as a result of screening new receipts by DLA Distribution Centers may be submitted to the item manager using SDR Document Type 9 (indicating a procurement source receipt), or to the owner using SDR Document Type R (indicating a redistribution receipt) or Document Type 8 (indicating a return). The screening process is used by the item manager to identify all materiel that is

associated with a suspected quality deficiency reported via Product Quality Deficiency Report (PQDR) or subject to some other type of investigation (e.g., counterfeit material/unauthorized product substitution (CM/UPS)). In order to accomplish the screening, DLA Distribution creates a receipt restriction screen for each applicable location perpetuating applicable criteria from the item manager's screening request. Typical screening criteria include national stock number (NSN), manufacturer's commercial and government entity (CAGE) code, or a combination of CAGE and manufacturer's part number. The receipt restriction is established within the Distribution Standard System (DSS) for the suspect materiel to ensure that matching materiel being received will be screened while the associated stock screening action is open for materiel in storage. In addition, a receipt restriction can be requested by the item manager independent from the stock screening request, and these can remain open indefinitely. When materiel meeting the criteria established for receipt restriction is discovered during receipt, the materiel is suspended, and a "receipt notification" is sent to the materiel owner (manager for Document Type 9) using the SDR as the reporting mechanism. (This is in addition to the receipt transaction.) The quality-related three-position Q-series discrepancy codes used on these SDRs do not indicate a supply discrepancy, but rather a storage activity receipt of materiel requiring special processing due to a potential quality deficiency. When the owner is different than the manager requesting the screening, the owner may not understand the underlying reasons for the suspension of their materiel (remarks text on the SDR may provide criteria without explanation for the cause). The owner has no recourse for obtaining resolution other than to submit another SDR for the same materiel to the manager (using SDR Document Type 7), since there are no alternative procedures for the owner to obtain credit or disposition instructions from the manger.

c. Requested Change in Detail:

(1) Change 1 – Revise DLA Distribution Center Procedures for “Receipt Notification” SDRs for Non-Manager Owned Suspended Materiel

(a) SDR Routing. Revise DLA Distribution Standard System (DSS) logic to identify the SDR action activity as the item manager for receipt notification SDRs containing Discrepancy Codes Q22 thru Q77 (these procedures are not applicable to Discrepancy Codes Q11 (PQDR exhibit receipt) or Q99 (first article testing receipt)). When the owner is other than the manager, the SDR will also identify the owner as an information copy recipient. All subsequent SDR transactions prepared by the storage activity will also identify both owner and manager.

(b) SDR Action Code. Each SDR directed to the item manager rather than the current owner under these procedures will include new SDR Action Code 4A (item manager disposition requested for non-manager owned suspended stock per receipt screening; no action by owner pending item manager response).

(c) SDR Remarks. Because the stock screening request criteria is perpetuated to the receipt restriction screen used by receiving personnel, this information may also be perpetuated to the SDR remarks. Stock screening request and SDR preparation guidance must be updated to direct that remarks be as informative as possible and written in a way that supports all related uses.

(d) DOD WebSDR SDR Reply Distribution. WebSDR will ensure that all replies to SDRs containing Action Code 4A are provided to both the owner and the manager. That is, the owner will receive a copy of the SDR reply provided by the manager and the manager will receive a copy of the SDR reply prepared by the owner, even though the reply identifies the storage activity as the intended recipient. If the reply transactions prepared by either the owner or manager doesn't identify the applicable information copy recipient, the information recipient will be added by DOD WebSDR.

(e) SDR Resolution

1. When the SDR contains SDR Action Code 4A, DSS logic will take no action based upon disposition instructions provided by the owner prior to an SDR reply from the manager. Based upon the situation, the disposition provided by the manager may return the materiel to its original condition or ask the owner to transfer ownership to the manager. DSS will respond to the premature SDR reply from the owner using new interim Reply Code 522 (SDR resolution pending investigation/response from item manager) using a status update reply (Transaction Set Purpose Code SU).

2. The manager will reply to the SDR based upon the situation.

a. Where an immediate response is not possible due to an ongoing investigation, the manager will provide an interim response (e.g. Reply Code 520 (SDR materiel undergoing test/evaluation) Reply Code 521 (SDR resolution pending PQDR review)).

b. A typical manager final response may direct the return of the materiel to its original supply condition code when the cause for the suspension is resolved with no adverse action or the materiel was suspended unnecessarily. The distribution center will upgrade the materiel condition and provide a completion notice (Transaction Set Purpose Code CN) to both the manager and an information copy to the owner.

c. Another typical scenario will be for the manager to instruct the owner to return the materiel to the manager for reimbursement, thereby allowing the manager to subsequently direct return of the materiel to the vendor or shipment to DLA Disposition Services. Concurrent with providing the SDR reply to instructing this action, the manager will provide a Pre-positioned Materiel Receipt (PMR) (DLMS 527/DIC DW_) to the distribution center holding the materiel indicating the receipt will be reported to the manager. The manager's SDR reply will clearly define the necessary steps:

[1] The reply will specify that the owner return the materiel to the manager using "ship-to self/shipment in-place" procedures. This will be accomplished by the owner providing a Materiel Release Order (MRO) (DLMS 940R/Document Identifier Code (DIC) A5_) to the distribution center holding the materiel identifying that distribution center's DoDAAC as the ship-to activity. This MRO will use the document number used on the SDR reply. The result of this process is ownership transfer with all the necessary transactions for compliance/auditability without physical movement of the materiel.

[2] The reply will tell the owner to provide an SDR reply containing the document number(s), if known, for the original requisition from the manager. If not available, a constructed document number may be substituted for the original requisition document number. A constructed document number is recognized by the letter “U” in the first position of the document number serial number and by the Utilization Code U in transactions (as a DLMS enhancement).

d. DSS will provide a shipment status for materiel processed under the ship-to-self process and must assign a unique transportation control number (TCN) since the document number used for this action is perpetuated from the SDR and, therefore, represents a prior movement. The document number for a directed return may be reused, but TCNs for each “movement” must be unique (see paragraph H of Reference 3.c.).

e. Where applicable, credit will be provided upon resolution with the completion of the applicable investigation and transfer of materiel to item manager ownership. It will not be provided up front, based solely upon the SDR submission.

(f) Follow-up. DSS will systemically follow-up on open SDRs, so the materiel owner in receipt of the information copy of Q-series SDRs will not need to initiate a follow-up to the manager. DSS will also systemically follow-up on open SDRs where the manager has requested that materiel be returned, but the owner has not responded with the required action.

(g) Completion Notice after Ownership Change. Once materiel is issued to the manager, the original SDR will be closed with a completion notice directed to the manager and an information copy to the original owner.

(2) Change 2 – Combine Selected Q-series Discrepancy Codes. The Discrepancy Codes Q22 and Q44 will be merged since these codes are not discernibly different. The resulting code explanation will read:

“Q22 New procurement receipt, customer return, redistribution order, or stock screen item quality deficiency, contractual non-compliance, *including specification and/or technical data deficiency*”

(3) Change 2 – Administrative Correction to DLMS Implementation Convention (IC). Revise IC as shown at Enclosure 4.

d. Revisions to DLM 4000.25 Manuals: Refer to Enclosures 2 and 3.

e. Proposed Transaction Flow: Refer to Enclosure 1.

f. Alternatives: None identified.

5. REASON FOR CHANGES: This change provides documented procedures for resolution of SDRs resulting in suspended non-manager owned materiel after manager-requested stock screening. The proposed procedures eliminate the need for a second SDR for the same receipt (storage activity-initiated SDR to owner followed by owner-initiated SDR to manager). The proposed procedures provide immediate visibility to the manager of all materiel suspended as a result of the manager-requested screening action.

6. ADVANTAGES AND DISADVANTAGES:

a. Advantages:

(1) New business rules will provide better clarity and more streamlined processing of quality-related SDRs identified at the time of receipt, when the materiel owner and materiel manager are not the same.

(2) The proposed procedures will allow the materiel manager to provide disposition and financial resolution without the double SDR reporting that is currently used.

(3) The procedures outlined provide a step-by-step process that may be repeated by all distribution centers, owners, and managers.

b. Disadvantages: None identified.

7. ADDITIONAL COMMENTS:

a. **Discrepancy Code Q11.** After consultation with DLA and Air Force representatives, it was determined that receipt notification SDRs for PQDR exhibit receipt should be excluded from the revised routing rules under this proposal. The exhibit return may have been at the request of the owning Service and not the item manager. The appropriate approach for these is for the responsible activity to provide a PMR for the exhibit return to ensure that it is properly receipted. The SDR should then be directed to the same organization as the receipt, be that the owner or the manager.

b. **Discrepancy Code Q99.** Receipt of materiel for first article testing will be reported to the manager as a procurement source receipt (Document Type 9) and, therefore, will already be reported to the correct action activity and will not require subsequent ownership transfer.

8. ADDITIONAL FUNCTIONAL REQUIREMENTS: A separate DLMS change proposal is under development to document revised procedures for processing Storage Quality Control Reports (SQCRs) for non-manager owned materiel subsequent to a manager submitted stock screening request for materiel in storage. The approach outlined in this proposal for transfer of ownership to the manager after SDR processing is the same methodology planned for transfer of ownership to the manager after processing of SQCRs.

9. ESTIMATED TIME LINE/IMPLEMENTATION TARGET: This change will be effective six months from approval. All code updates will be published at that time. Delayed implementation will be authorized. DLA and DSS implementation must be concurrent. DLA implementation is requested in 2015.

Staffing Note: DLA will implement in conjunction with draft PDC 1084 which will propose similar processing steps for Storage Quality Control Reports (SQCRs) for discrepancies related to non-manager owned materiel in storage.

10. ESTIMATED SAVINGS/COST AVOIDANCE ASSOCIATED WITH IMPLEMENTATION OF THIS CHANGE: Not available.

11. IMPACT:

a. **New DLMS Data Elements:** None identified.

b. **Changes to DLMS Data Elements:** Refer to Enclosure 3 for detailed information.

(1) Add SDR Action Code 4A (Item Manager disposition requested for non-manager owned suspended stock per receipt screening; no action by owner pending item manager response).

(2) Add Reply Code 522 (SDR resolution pending investigation/response from item manager)

(3) Revise the narrative explanation for Discrepancy Code Q22 and delete Discrepancy Code Q44 (effectively merging these two codes).

c. **Automated Information Systems (AIS):** As applicable, Component SDR systems must:

(1) Recognize/post all identified code revisions described above.

(2) Automate business rules to the degree possible. This could include precluding premature owner response to SDRs citing Action Code 4A, and scripted narratives for manager SDR replies to ensure all the pertinent rules are delineated for the owner. When/if feasible, the owner or manager system should be updated to flip the organizations identified to receive the SDR reply when applicable, so that the distribution center becomes the copy recipient of the reply and the owner or manager (as applicable) is designated as the “to” activity on the transaction.

(3) The owner or manager receiving a distribution copy of the reply prepared by either the owner or manager must recognize when that contents of the reply are directed toward the owner or manager rather than the distribution center.

(4) The manager must be able to provide credit based upon an SDR identified by Document Type 8 (systems such as DLA’s Enterprise Business System (EBS) provide credit on customer SDRs (Document Type 7) rather than distribution center receipt SDRs).

(5) DSS changes include recognizing the scenario and properly constructing the SDR with the new action code and proper routing of the SDR to the manager with an information copy to the owner. DSS must also recognize premature owner replies and respond with a status update to clarify that the SDR will remain open pending the manager response.

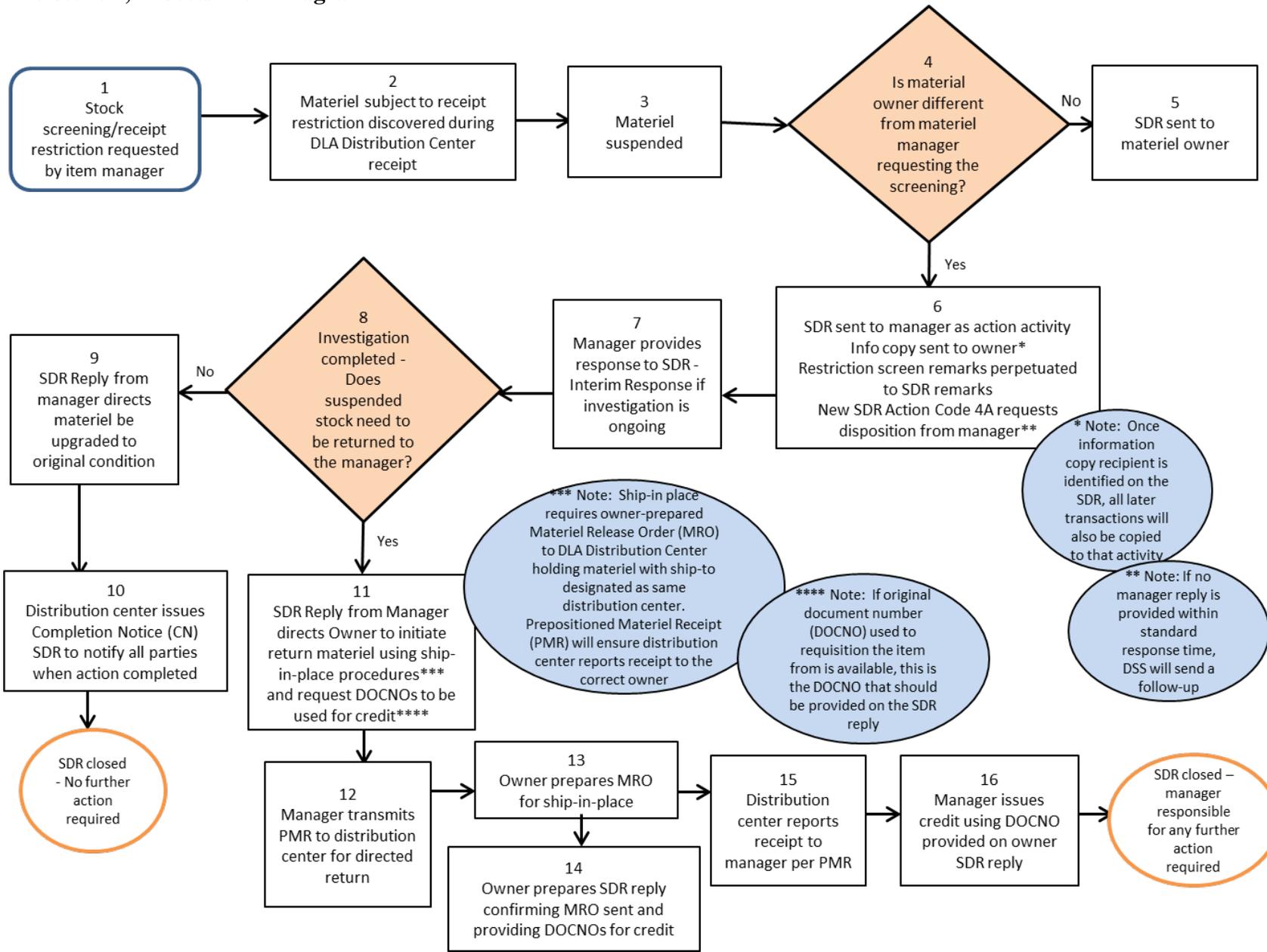
d. **DLA Transaction Services:** Significant changes to DOD WebSDR include:

(1) Recognize/post all identified code revisions described above.

(2) Ensure that the applicable owner or manager replies are distributed to all parties (distribution center, owner, and manager), even if not identified by the activity preparing the reply. If prepared by the owner, the manager will be designated as a party to receive a copy; if prepared by the manager, the owner will be designated as a party to receive a copy.

e. **Non-DLM 4000.25 Series Publications:** Process revisions may require update to internal operating procedures.

Enclosure 1, Process Flow Diagram



Enclosure 2, Defense Logistics Manual (DLM) Revisions

Changes are identified by ***bold red italics*** and strike-through text.

A. Revise DLM 4000.25, Defense Logistics Management System, Volume 2, Chapter 17, Supply Discrepancy Reporting, as shown.

C17.3.2.9. ***Receipt Notification SDRs for Quality-Related Issues Identified During Distribution Center Receipt.*** Three-position Q-series discrepancy codes have been developed to accommodate materiel owners/***managers*** with special programs requiring immediate visibility and notification of quality deficient (or potentially deficient) materiel received at the distribution center. These codes are applicable for reporting to ICP/IMMs via the SDR process, based upon special inspection requests by the materiel ~~owner~~ ***manager***. These reports are contingent upon pre-existing receipt restriction requirements that identify the National Stock Number (NSN) and/or other screening criteria and specific actions the materiel ~~owners~~ ***managers*** expects the distribution center to perform. Some of the specific programs that require reporting of quality-related concerns for receipts, including new procurement and customer returns, are: ~~PQDR exhibits~~, items identified as customer return improvement initiative (CRII) items, critical safety items (CSI), items that failed under use, and items requiring First Article Testing. Additionally, receipt of PQDR exhibits will be reported to the owner or manager using the applicable three-position Q-series discrepancy code. ***For PQDR exhibits, report the receipt and SDR to the same organization (based upon the PMR, when available).*** Report suspended materiel in the appropriate supply condition code (SCC) under DLMS/MILSTRAP procedures, to include PQDR exhibit receipts in SCC Q and CSI in SCC L for procurement source receipts or SCC K for non-procurement source receipts. ***For other than PQDR exhibits, provide the SDR to the manager with a distribution copy to the owner, if different. Disposition instructions for these SDRs will be provided by the manager (a response from the owner prior to the manager response will be considered premature and will result in a status update from the distribution center indicating that the SDR is still pending manager response (Reply Code 522). The manager will provide an interim response if the SDR will remain open for an extended period pending investigation. If resolution of the SDR requires the materiel to be returned to the manager, the manager will request that the owner direct ownership transfer using "ship-to-self/shipment in-place" procedures and provide document number(s) applicable to the original requisition (or a constructed document number) for reimbursement. The manager will provide a PMR to the distribution center to ensure proper processing of the receipt resulting from the shipment in-place.***

Enclosure 3, DLM Appendix Updates

Revise DLM 4000.25, Volume 2, Appendix 3, Supply Discrepancy Report Relevant Data Elements, as shown.

Changes are identified by ***bold red italics*** and strike-through text. Intervening text between updated paragraphs or sections is not shown.

AP3.2. SHIPPING AND PACKAGING DISCREPANCY CODES

Quality-Related ~~Deficiency~~ Receipts/Stock Screening (*DLA* Distribution Center Only)

- Q11 Returned or stock screen item, PQDR exhibit deficiency
- Q22 New procurement receipt, customer return, redistribution order, or stock screen item quality deficiency, contractual non-compliance, ***including specification and/or technical data deficiency***
- Q33 Returned, redistribution order, or stock screened item suspected materiel deficiency (DLA Customer Returns Improvement Initiative (CRII) items only)
- ~~Q44 New procurement receipt, customer return, redistribution order or stock screen item contracting deficiency, for specification and/or technical data deficiency~~
- Q55 Item under investigation
- Q66 Customer return or stock screen item failed under use
- Q77 New procurement receipt, customer return, or redistribution order receipt of stock screen item identified as a suspected critical safety item (CSI) discrepancy
- Q99 New receipt item received for First Article Testing

AP3.3 SDR REQUESTED ACTION CODES. The SDR Requested Action Code is used to provide a description of the action requested by the initiator of the SDR. This data element may be referred to as the SDR Action Code. This is a two position alphanumeric code. Only one action code may be used per SDR under DLMS. Preprinted codes on the face of the SF 364 may be supplemented from this list.

SDR ACTION CODES

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

AP3.4 DISCREPANCY STATUS OR DISPOSITION (REPLY) CODES.

Action activities use the Discrepancy Status or Disposition (Reply) Codes to codify a response to an SDR. This data element may be referred to as an SDR Reply Code. It is a three position numeric code. Up to three reply codes may be used on a single report to provide complete financial and materiel disposition instructions and provide additional information as needed. Codes may be used to replace or supplement preprinted information on the reverse side of the SF 364. System design should accommodate clear text for ease of use and interpretation.

Reply Codes

The 500-series (and some 100-series) codes indicate an interim reply:

520 SDR materiel undergoing test/evaluation.

521 SDR resolution pending PQDR review.

522 *SDR resolution pending investigation/response from item manager.*

Enclosure 4, DLMS Implementation Conventions (ICs) Revisions

#	Location	Change Table for 842A/W Standard SDR Report	Reason
1.	DLMS Introductory Note	<u>Add PDC 1126 to DLMS Introductory note:</u> - <i>PDC 1126, Revised Routing Rules for Non-Manager-Owned Suspended Stock Identified at Time of Receipt at DLA Distribution Centers</i>	To identify DLMS changes included in the DLMS.
2.	2/N1/2800	<u>Delete segment level DLMS Note:</u> DLMS Note: Use in IUID loop to identify the Enterprise Identifier.	Administrative correction not related to the business process defined in this PDC. This note is obsolete; the enterprise identifier for item unique identification (IUID) is not provided via an SDR.