



DEFENSE LOGISTICS AGENCY
HEADQUARTERS
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April 18, 2016

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

SUBJECT: Proposed Defense Logistics Management Standards (DLMS) Change (PDC) 1202, Processing of Advance Shipment Notice (ASN) for Certificate of Conformance (CoC) or Alternate Release Procedures (ARP) and Edit Blocking Inappropriate Supply Discrepancy Report (SDR) for Missing Quality Assurance Representative (QAR) Signature (Discrepancy Code D4) and Associated Suspended Receipt (SDR/Supply)

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 SDR 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, email: ellen.hilert@dla.mil; or Ben Breen, SDR Alternate, email benjamin.breen@dla.mil. All others must contact their Component designated Supply PRC representative or SDR PRC representative available at: <https://www2.dla.mil/j-6/dlms/CertAccess/SvcPointsPOC/allpoc.asp>.

DONALD C. PIPP
Director
Defense Logistics Management
Standards Office

Attachment
As stated

cc:
ODASD (SCI)

Attachment to PDC 1202
Processing of ASN for CoC or ARP and Edit Blocking Inappropriate SDR for
Missing QAR Signature (Discrepancy Code D4)
and Associated Suspended Receipt

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION: Ellen Hilert, DOD SDR System Administrator, DLMSO, 703-767-0676 or DSN 427-0676, email: ellen.hilert@dla.mil and Benjamin Breen, Alternate DOD SDR System Administrator, DLMSO, 614-692-2317 or DSN 850-2317, email: benjamin.breen@dla.mil

2. FUNCTIONAL AREA:

- a. **Primary Functional Area:** Receiving (New Procurement)
- b. **Secondary Functional Process:** Discrepancy Reporting

3. REFERENCES:

- a. [Defense Logistics Management Standards Manual, DLM 4000.25, Volume 2, Chapter 17, Supply Discrepancy Reporting.](#)
- b. [Defense Federal Acquisition Regulation Supplement \(DFARS\) Appendix F, “Material Inspection and Receiving Report”](#)
- c. [Approved DLMS Change \(ADC\) 1066](#), SDR Process Enhancements: Follow-up Time Standards, SDR Forwarding, Source of Supply (SoS) Notification, Discrepancy Code D4 for Missing Quality Assurance Representative (QAR) Signature, use of Unique Item Tracking (UIT) Designator Code for Management Report Selection Criteria

4. REQUESTED CHANGE(S):

a. **Brief Overview of Change:** This change establishes a requirement for the Defense Logistics Agency (DLA) Distribution Standard System (DSS) to capture Certificate of Conformance (CoC) and Alternate Release Procedures (ARP) indicator when present in the advance shipment notice (ASN) provided via Invoicing, Receipt, Acceptance, and Property Transfer (iRAPT), formerly Wide Area Work Flow (WAWF), interface. DSS must make this information available during receipt processing and ensure that the receiver does not improperly suspend new procurement receipts for missing QAR signature and generate an SDR to the item manager when the CoC or ARP indicator is present. QAR signature is not required prior to vendor shipment when the contract authorizes CoC or the Defense Contract Management Agency (DCMA) has authorized ARP. As a result, the receiving activity does not need to prepare an SDR for missing QAR signature when CoC or ARP indicators are present and the materiel does not need to be suspended awaiting signature.

b. Background:

(1) Federal Acquisition Regulation (FAR) 46.504 specifies that the CoC may be used in certain instances instead of source inspection at the discretion of the contracting officer if the following conditions apply:

(a) Acceptance on the basis of a contractor's CoC is in the Government's interest.

(b) Small losses would be incurred in the event of a defect; or

(c) Because of the contractor's reputation or past performance, it is likely that the supplies or services furnished will be acceptable. When contract terms provide for use of CoC and shipment is made under these terms, contractors include the appropriate indicator in the electronic transaction rather than include or attach the text of the certificate. Government acceptance must still be indicated by a Government official's signature on the iRAPT Receiving Report (RR), but is not required prior to shipment.

(2) The DCMA administrative contracting officer (ACO) implements ARP procedures when positive performance history is established. ARP is invoked via correspondence with the vendor and no contract clause is applicable. iRAPT shipments under ARP only require that the supplier selected/entered the ARP indicator in their shipment notice.

(3) The primary difference in the requirements for ARP and CoC is the execution of Government Contract Quality Assurance (GCQA) surveillance. ARP requires continuing surveillance in accordance with (IAW) the GCQA Surveillance Plan. CoC, on the other hand, is used in lieu of GCQA surveillance for the contract on which it is invoked. In each case, the supplier releases the deliverable products when they are ready for shipment under the contract, and the shipping documents are completed under DFARS Appendix F (Reference 3.b.).

(4) Vendors include indicators in their shipment notice submission to iRAPT when either CoC or ARP is authorized. Based upon vendor submission, iRAPT transmits an ASN to DSS for DLA Distribution Center ship-to locations using the DLMS 856 ASN implementation convention (IC).

(5) ADC 1066 (Reference 3.c.) designated Discrepancy Code D4 and prescribed associated procedures specifically for reporting of procurement source materiel suspended upon receipt due to lack of a QAR signature. This ADC change was provided as a way to isolate SDRs submitted for lack of a QAR signature so that appropriate attention and prioritization could be provided for the situation and the specific SDRs. This was done after the method to facilitate returning the suspended stock to serviceable condition more rapidly, developed under the DLA-sponsored Continuous Process Improvement (CPI) event in 2011–2012, proved to be inefficient and was discontinued. ADC 1066 specifically states that the submission of an SDR for missing QAR signature does not apply to ARP or CoC.

(6) Although receiving personnel are instructed to use iRAPT to identify ARP and CoC applicability, recent research by DCMA using SDR management reports found that a high percentage of the SDRs with Discrepancy Code D4 for missing QAR signature were actually invalid. It was determined that the materiel should not have been suspended because either ARP or CoC was authorized. DLA Distribution was notified and the SDRs were

cancelled. However, the SDR often awaits manager review while the materiel remains unavailable for issue. The manager will ultimately submit an SDR reply indicating that the SDR is rejected and that the materiel must be returned to serviceable condition.

c. Requested Change in Detail:

(1) Modify DSS to recognize inclusion of the ARP or CoC indicator in the DLMS 856 ASN and store the ARP and CoC indicators for use upon receipt of the shipment matching on Procurement Instrument Identifier (PIID)/contract number and contract line item number.

(a) The ARP indicator is located at position 2/REF01/150 Code RE, Release Number (see Enclosure 2).

(b) The CoC indicator is located at position 2/SAC02/320 Code B020, Certificate of Conformance (see Enclosure 2).

(2) Ensure that the receiver has visibility on receiver screens of the ARP or CoC indicator, when applicable, and is thereby alerted that no QAR signature is required. Materiel must not be suspended in Supply Condition Code L awaiting QAR signature (although materiel may be suspended for other reasons).

(3) Establish a new edit in DSS to prevent creation of an SDR with Discrepancy Code D4 when ARP or CoC indicators are present.

d. Revisions to DLM 4000.25 Manuals:

(1) Revise DLM 4000.25, Volume 2, Chapter 17 as shown in Enclosure 1.

(2) Update the DLMS IC for the 856 Advance Shipment Notice as shown in Enclosure 2.

(3) Revise DLM 4000.25, DLMS Volume 1, Concepts and Procedures, Appendix 3, Acronyms and Abbreviations to add the following new acronyms:

CoC – Certificate of Conformance

ARP – Alternate Release Procedures

e. Transaction Flow: Standard ASN and SDR transaction flows apply with no revision.

f. Alternatives: None identified.

5. REASON FOR CHANGES: These changes will alert the distribution center receiver when shipments are authorized ARP or CoC procedures so that materiel is not suspended unnecessarily. This change will eliminate creation of inappropriate SDRs by ensuring that ARP and CoC applicability is recognized during receipt processing and blocking creation of SDRs for missing QAR signature.

6. ADVANTAGES AND DISADVANTAGES:

a. Advantages:

- (1) Prevents unnecessary suspension of properly shipped new procurement materiel making it available for release to the warfighter.
- (2) Prevents unnecessary creation of SDRs allowing for faster receipt processing.
- (3) Eliminates research time and effort for item managers when SDRs are submitted inappropriately for missing QAR signature.

b. Disadvantages: None noted.

7. ADDITIONAL COMMENTS TO CONSIDER: DLA Distribution will induct new procurement materiel in Supply Condition Code A without a QAR signature in iRAPT if either the CoC or the ARP box is checked. Otherwise, DLA Distribution will suspend the materiel and create an SDR with a D4 discrepancy. This means that there is a potential for CoC or ARP materiel lacking QAR signature to be issued prior to QAR signature. Upon preliminary review of this practice, DLA Inventory Management and Technical Quality representatives believe that picking up materiel in Supply Condition Code A when the ARP or CoC boxes are checked represents a very low risk based on how ARP/CoC is used (with the understanding that this materiel may be issued to customers prior to a QAR signature being posted in iRAPT). To reiterate, ARP is only used when the DCMA ACO implements ARP procedures when positive performance history is established. ARP requires continuing surveillance IAW the Government Contract Quality Assurance (GCQA) Surveillance Plan. CoC is used at the discretion of the contracting officer if the following conditions apply:

- a. acceptance on the basis of a contractor's CoC is in the Government's interest,
- b. small losses would be incurred in the event of a defect, or
- c. based on the contractor's reputation or past performance, it is likely that the supplies or services furnished will be acceptable.

8. ESTIMATED TIME LINE/IMPLEMENTATION TARGET: To be determined upon approval.

9. ESTIMATED SAVINGS/COST AVOIDANCE ASSOCIATED WITH

IMPLEMENTATION OF THIS CHANGE: For Fiscal Year 2015, there were 3,695 SDRs submitted for missing QAR signature to all Components. Based upon a small sampling of SDRs (63 SDRs submitted to DLA for a single DCMA contract administration office), 11% were found to be prepared incorrectly due to authorization for CoC or ARP. Cost savings could be extrapolated from the time required to prepare the SDR by the receiving activity and research the SDR by the item manager (exact dollar estimates not available for the PDC documentation). Additionally, there is a potential cost avoidance for reducing the amount of suspended materiel that is not issuable. This could have a positive operational impact for customer support, as well as savings resulting from alternative methods of obtaining urgently needed materiel (e.g. item manager-directed lateral redistribution).

10. IMPACT:

a. New DLMS Data Elements:

Alternate Release Procedures Indicator (Type: AN, Min: 1, Max: 1) – Indicates when a shipment falls under implemented Alternate Release Procedures as does not require a Quality Assurance Representative signature to be received.

b. Changes to DLMS Data Elements: None identified.

c. Automated Information Systems (AIS):

(1) Changes to DSS as described above.

(2) Component receiving systems that accept the iRAPT ASN may also be programmed to recognize ARP and CoC shipments.

d. Transaction Services: No impact.

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

Enclosure 1, Defense Logistics Manual (DLM) Chapter Revisions

Revise DLM 4000.25, Defense Logistics Management Standards, Volume 2, Chapter 17, Supply Discrepancy Reporting, as shown. Changes are identified by ***bold red italics*** and strike-through text.

C17.3.2.5. Documentation. Report when documentation is missing, incomplete, or improperly prepared regardless of dollar value.

C17.3.2.5.1 Receiving activities must report documentation discrepancies that impact timely receipt processing. Typically, this includes missing, incomplete, or improperly prepared supply documents such as the Issue Release/Receipt Document (DD Form 1348-1A). For shipments from a procurement source, documentation discrepancies apply to the Receiving Report/Material Inspection and Receiving Report (MIRR) (DD 250 or equivalent). Shipments to DLA Disposition Services may be reported for a missing, incomplete, or improperly prepared Hazardous Waste Profile Sheet or Hazardous Waste Manifest. Transshippers may report other types of missing or improper shipment documentation to include Special Handling Data/Certification (DD Form 1387-2), Transportation Control and Movement Document (TCMD) (DD Form 1384), and the Shipper's Declaration for Dangerous Goods.

C17.3.2.5.2 Sources of supply will prioritize resolution of SDRs submitted by DLA Distribution Centers citing Discrepancy Code D4. The objective is to preclude delays in reclassifying materiel suspended due to lack of a Quality Assurance Representative (QAR) signature in ~~Wide Area Workflow (WAWF)~~ ***Invoicing, Receipt, Acceptance, and Property Transfer (iRAPT)***. When no other discrepancies have been identified, the SoS will direct the depot to prepare an inventory adjustment to bring the materiel into fully serviceable condition upon posting of the QAR signature.¹ ***Note that QAR signature is not required for receipt processing when Certificate of Conformance (CoC) or Alternate Release Procedures (ARP) are authorized. System edits should be employed to block inappropriate suspension of materiel and submission of SDRs when these procedures are applicable.***²

¹ Refer to ADC 1066.

² ***Refer to PDC 1202.***

Enclosure 2, DLMS Implementation Conventions (ICs)

Revise the DLMS 856 IC as follows:

#	Location	Change Table for 856 ASN	Reason
1.	DLMS Introductory Note	<u>Add PDC 1202 to DLMS Introductory note:</u> <i>- PDC 1202 Processing of Advance Shipment Notice (ASN) for Certificate of Conformance (CoC) or Alternate Release Procedures (ARP) and Edit Blocking Inappropriate Supply Discrepancy Report (SDR) for Missing Quality Assurance Representative (QAR) Signature (Discrepancy Code D4) and associated Suspended Receipt</i>	To identify DLMS changes included in the DLMS.
2.	2/REF01/150	<u>Revise DLMS Note for existing Qualifier RE as shown:</u> RE Release Number DLMS Note: <i>Applicable to Shipment loop. Indicate Y in REF02 when Alternate Release Procedures (ARP) are applicable.</i>	DLMS Note updated for clarification.
3.	2/SAC01/320	<u>Replace Federal Note with DLMS Note:</u> Allowance or Charge Indicator N No Allowance or Charge Federal DLMS Note: <i>Use with code B020 in SAC02 to indicate a shipment is made under Certificate of Conformance terms.</i>	Revise note level to change the existing Federal Note to a DLMS Note.
4.	2/SAC02/320	<u>Replace Federal Note with DLMS Note:</u> B020 Certificate of Conformance Federal DLMS Note: <i>Use to indicate when contract terms provide for use of Certificate of Conformance, and shipment is made under those terms.</i>	Revise note level to change the existing Federal Note to a DLMS Note.