IN REPLY
REFER TO

July 12, 2012

MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE (PRC) MEMBERS

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

We are forwarding the attached change to DLM 4000.25-1-M, Military Standard Requisitioning and Issue Procedures (MILSTRIP) and DLM 4000.25-M, Defense Logistics Management System (DLMS), effective upon publication. DLA Transaction Services program changes to support the ADC have been implemented.

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

DONALD C. PIPP
Director
DLA Logistics Management Standards
Office

Attachment
As stated

cc:
ODASD(SCI)

ADC 1006
Exception Processing for DLA CFM Transactions

1. ORIGINATOR:

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

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

2. FUNCTIONAL AREA: Supply/Finance

3. REFERENCES:

    a. DLM 4000.25-1, Military Standard Requisitioning and Issue Procedures (MILSTRIP), available at http://www.dla.mil/j-6/dlmso/eLibrary/Manuals/dlm/dlm_pubs.asp

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

4. OVERVIEW/BACKGROUND:

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

    b. Background

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

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

        (3) Due to the high volume of rejected requisitions, work stoppages were occurring at the contractor's location. DLA and DLA Transaction Services, with participation by the DOD

MILSTRIP Administrator, developed exception processing rules for CFM requisitions submitted in support of DLA-issued contracts. The DOD MILSTRIP Administrator concurred with the immediate implementation of these processing rules pending submission of a formal DLMS change to document the procedures.

5. APPROVED CHANGE:

a. Approved change in detail. Green highlighting identifies substantive revisions subsequent to staffing of the proposed change.

(1) DLA Transaction Services shall establish Distribution Code H as an authorized DLA distribution code serving to identify the DLA MCA for Service/Agency Code U. Requisitions submitted under the procedures described below shall include the DLA-assigned Distribution Code H, which is used in the MCA validation process to identify the DLA MCA.

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

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

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

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

      (1) Modify C11.8.2 as indicated below.

"C11.8.2. <u>DAAS Processing of CFM Transactions</u>. The process described in this paragraph provides mandatory CFM controls for CFM requisitions where the bill-to activity, as identified in the requisition, is an Army contractor and the source of supply is DLA. This process is optional for other Services and may be expanded to include other sources of supply if needed. DAAS shall maintain a list of Service/Agency authorized contractor DoDAACs and the associated NSNs/DOD-managed part numbers for which these contractors may submit CFM requisitions on a CFM Authorized Materiel Table for use in validating requisitions regardless of method of payment. CFM contractors that match the CFM Authorized Materiel Table by DoDAAC, but do not match by NSN or part number shall be rejected with Status Code CL; requisitions that match on DoDAAC and NSN/part number shall be processed as valid. DAAS shall enter the DAAS RIC SGA or SHA into rp 74-76 as the validating MCA. DAAS shall perform AX1/AX2 validation requirement for authorized CFM requisitions that match to the CFM Authorized Materiel Table. DAAS shall furnish CFM reports upon request for use by the contracting officer in verifying that quantities ordered are within the contract allowance. Army contractor requisitions that do not match the CFM Authorized Materiel Table shall be processed by DAAS under the MCA waiver exception process or passed to the applicable MCA as described in Paragraph C11.7.5. *For DLA CFM, processing will be as identified in C11.8.3.* CFM requisitions for other Service contractors shall be passed to the source of supply. NSNs listed in the table may be modified over the course of this agreement when appropriate Army contracting officer provides such authority. Updates to the authorized list shall be collected, consolidated into one Microsoft Excel file by the designated DLA Lead Center point of contact with proof of Army Contracting Officer concurrence and provided to headquarters (HQ) DLA Army Performance Based Logistics (PBL) action officer. HQ DLA shall coordinate updates to individual contractor lists with DLA DoD EMall and DLA Transaction Services on a monthly basis. To optimize program changes, all additions to Army partnership lists shall be made during an agreed monthly time-frame between DLA and support entities."

      (2) Add C11.8.3. as indicated below.

"C11.8.3. DLA Transaction Services Processing of DLA CFM Transactions.

*   C11.8.3.1. DLA Transaction Services shall maintain a DLA CFM Authorized DoDAAC Table listing DLA contractor DoDAACs authorized to requisition CFM. DLA Transaction Services shall populate or delete DoDAACs to/from the table as directed by DLA. Requisitions identifying a DLA-assigned U-series contractor DoDAAC as the bill-to activity shall be edited against this table. DLA Transaction Services is required to edit all incoming MILSTRIP DIC A0_, A3_, A4_, AM_ and AT_ (DLMS equivalent DLMS 511R/511M/869F) transactions containing a U-series DoDAAC when identified as the bill-to activity against the DLA CFM Authorized DoDAAC Table. If matched to the table, then DAAS shall route/pass the transaction based on established DAAS rules to the appropriate source of supply for*

further processing. If the U-series bill-to DoDAAC does not match the table, then DAAS shall reject the transaction using Status Code DB.

C11.8.3.2. DLA Transaction Services shall capture any DIC AX1 (DLMS 517G) transactions containing a DLA U-series DoDAAC identified as the bill-to DoDAAC and match it against the DLA CFM Authorized DoDAAC Table. If the U-series bill-to-DoDAAC matches the table, then DAAS shall respond with a DIC AX2 (DLMS 517G) transaction with Advice Code 2M indicating the requisition is authorized. If the U-series bill-to-DoDAAC does not match the table, then DAAS shall respond with a DIC AX2 (DLMS 517G)) transaction with Advice Code 2U indicating the requisition is not authorized."

(3) Modify C11.9.1.2 as indicated below.

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

    c. Alternatives: None identified.

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

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

7. ADVANTAGES and DISADVANTAGES:

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

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

8. ESTIMATED TIME LINE/IMPLEMENTATION TARGET: DLA Transaction Services provided capability to support successful transaction processing on December 14, 2011. Enhanced capability to facilitate maintenance of the authorized DoDAACs has since been developed in association with this ADC. The CFM Authorized DoDAAC Table was updated for contractor DoDAACs: UY9277, UY9278, and UY9279.

9. IMPACT:

      a. New/Revised DLMS Data Elements: None.

      b. Service/Agency Automated Information Systems: None.

      c. DLA: Contractors identified by UY9277, UY9278, and UY9279 must be advised to discontinue use of Distribution Code/MDN F00 and begin using H00.

      d. DLA Transaction Services:

      (1) Creation of DLA CFM Authorized DoDAAC Table to manage U-series DoDAAC CFM requisitions and edits driven by this table as outlined above: The table will be configured to validate incoming DLMS 511R, 511M, and 869F (MILSTRIP DIC A0_, A3_, A4_, AM_ and AT_) containing a bill-to U-series DoDAAC. If the DoDAAC is on the table, DAAS will insert RIC SGA as the MCA (MILSTRIP record position (rp) 74-76) and route the transaction to the DLA source of supply (MILSTRIP rp 4-6). For requisitions originating in

DoD EMALL using credit/purchase card payment method (bill-to SP5200), the DoDAAC table match will be based upon the document number DoDAAC. For incoming DLMS 517G (DIC AX1) transactions, if the bill-to DoDAAC is on the table, DAAS will furnish a DLMS 517G (DIC AX2) transaction with Advice Code 2M; if not, the advice code will be 2U.

(2) In conjunction with this change, the DLA-assigned Distribution Code H shall be associated with DLA DoDAAC SC1034/Routing Identifier Code (RIC) SVP, and loaded to the Distribution Code Table as follows:

Distribution Code H (for use with Service/Agency Code U)
DLA Land & Maritime Hazardous Materiels MCA
3990 East Broad Street
Columbus, OH 43216-9330

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

Enclosure, Staffing Comments/Concurrence

#	Submitter	Comment	Resolution
1.	MILSTRIP Administrator	DLA is requested to provide the DoDAAC and RIC associated with the MCA for new Distribution Code H.	DLA determined that a unique DoDAAC would be used for this MCA. DLA assigned DoDAAC SC1034 and RIC SVP.
2.	Air Force	Concur	Noted.
3.	Navy	Concur	Noted.
4.	DLA	Concur	Noted.
5.	Army	Concur	Noted.
6.	Marine Corps	Concur	Noted.
7.	USTRANSCOM	Abstain	Noted.