



DEFENSE LOGISTICS AGENCY
HEADQUARTERS
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FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY
REFER TO

DLMSO

November 16, 2009

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

SUBJECT: Approved Defense Logistics Management System (DLMS) Change (ADC) 349, Revise DLMS Supplement (DS) 536L Logistics Reassignment Management Data to Add a Moving Average Cost (MAC) Field (Supply/Finance) (Staffed as PDC 369)

The attached change to DOD 4000.25-M, DLMS, is approved for implementation. The updated DLMS Supplement will be posted to the Defense Logistics Management Standards Office (DLMSO) Web site <http://www.dla.mil/j-6/dlms0/elibrary/TransFormats/formats.asp> within **10** days from the above date for implementation planning. Implementation of this revision can occur on a staggered basis by the DOD Components. **This change should be adopted during, or subsequent to, modernization when applicable to the Component's business process. Prior coordination is not required and Components should ensure that inclusion of this data in a DLMS transaction does not cause inappropriate rejection of the transaction.**

Addressees may direct questions to the DLMSO point of contact Ms. Mary Jane Johnson (Supply), email: Mary.Jane.Johnson@dla.mil, 703-767-0677, DSN 427-0677; or Mr. Robert Hammond (Finance), email: Robert.Hammond@dla.mil, 703-767-2117, DSN 427-2117. Others must contact their Component designated Supply or Finance PRC representative.

DONALD C. PIPP
Director
Defense Logistics Management
Standards Office

Attachment

cc:
DUSD(L&MR)SCI

ATTACHMENT TO ADC 349

Revise DLMS Supplement (DS) 536L Logistics Reassignment Management Data Transaction to Add a Moving Average Cost (MAC) Field (Supply/Finance)

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION:

- a. **Service/Agency:** Defense Logistics Agency (DLA)
- b. **Originator:** DLA J-3 & J-7
- c. **Functional POC:** DLA J-73, 703-767-1350, DSN 427
DLA J-3314, 703-767-1637, DSN 427

2. FUNCTIONAL AREA:

- a. **Primary/Secondary Functional Area:** Acquisitions / Logistics / Finance
- b. **Primary/Secondary Functional Process:** Pricing / Logistic Reassignments

3. REFERENCES:

- a. **DOD 7000.14-R, Financial Management Regulation,** <http://www.defenselink.mil/comptroller/fmr/>.
- b. **Statement of Federal Financial Accounting Standards No. 3,** <http://www.fasab.gov/pdffiles/sffas-3.pdf>

4. BACKGROUND:

a. **Intent of the transaction change:** To transmit Moving Average Cost (MAC) from a Losing Inventory Manager (LIM) to a Gaining Inventory Manager (GIM) during a Logistics Reassignment (LR).

b. **Scenario for which the transaction is used:** Whenever an LR occurs and the LIM maintains a MAC in its **financial system** for the asset being reassigned.

c. **Procedures, transactions, data elements, processing details in use today:** DLMS 536L conveys various management information from the LIM to the GIM during an LR. No MAC information is being transmitted across DoD Components currently during the LR process.

Note: Initially DLA addressed adding 'MAC' to MILSTRAP DI Code DLW, Logistics Reassignment Contract History Data. DLMSO noted that MILSTRAP is not being changed as the DOD Components modernize under DLMS, and the MAC code is therefore being added to the DLMS 536L which encompasses DI Code DLW functionality. DLMS 536L provides functionality of MILSTRAP DI Codes DLS through DLX. No change is being made to MILSTRAP DI Code DLW by this ADC.

5. PROPOSED CHANGE(S):

a. **Requested change in detail:** Add an ID entitled "MAC" to the CTP02 segment, "Price Identifier Code", as well as the Name, "Moving Average Cost" to be associated with the "MAC" ID.

b. Proposed procedures: Revise DLMS Supplement (DS) 536L as follows:

Item #	Location	CHANGE TABLE for DS 536L, LR Management Data	Reason	Federal IC Impact
1.	DLMS Introductory Note 4	<p><u>Add new note 4e:</u></p> <p><i>4e. Data associated with a DLMS enhancement authorized for implementation by modernized systems under DLMS migration. This data (including expanded field sizes) should be adopted during, or subsequent, to modernization when applicable to the Component’s business process. Prior coordination is not required. Components should ensure that inclusion of this data in a DLMS transaction does not cause inappropriate rejection of the transaction.</i></p>	Administrative update to add standard notes used in DLMS for authorized DLMS migration enhancements.	No impact.
2.	DLMS Introductory Note 5	<p><u>Add ADC 349 to DLMS Introductory note 5:</u></p> <p><i>- ADC 349, Revise DLMS Supplement (DS) 536L Logistics Reassignment Management Data Transaction to Establish a Moving Average Cost (MAC) Field (Supply/Finance)</i></p>	To identify DLMS changes included in the DS	No impact.
3.	2/CTP/90	<p><u>Add segment level DLMS note:</u></p> <p>DLMS Note: <i>May use additional repetition in 2/HL/010 contract loop to provide the moving average cost (MAC).</i></p>	To address inclusion of MAC.	No impact.
4.	2/CTP02/90	<p><u>Add the following data element level notes:</u></p> <p>Federal Note: <i>Use any code.</i></p> <p>DLMS Note: <i>For DLMS, only the following codes are authorized.</i></p>	Administrative update to add standard notes used in DLMS transactions	<u>Update Required</u>
5.	2/CTP02/90	<p><u>Add new qualifier to be used for the moving average cost:</u></p> <p>MAC Moving Average Cost</p> <p>DLMS Notes:</p> <p>1. <i>Use to indicate the moving average cost (MAC). Refer to ADC 349.</i></p> <p>2. <i>Authorized DLMS migration enhancement. See introductory DLMS note 4e.</i></p> <p>3. <i>At this time a local code ‘MAC’ is established for use in 536L, version 4010. A data maintenance action has been submitted for establishment of ‘MAC -Moving Average Cost code’ in a future version.</i></p>	<p>Adds qualifier so that the MAC can be conveyed in DS 536L.</p> <p>Staffing Note: DLMSO is proposing use of a “local” code while we submit a data maintenance request to ASC X12 for approval of new code MAC. Upon approval, ‘MAC’ would become a migration code when passed in the 536L, version 4010. Use of a “migration code” refers to establishing an agreement with all trading partners to use a valid X12 code from a higher version, with its approved X12 definition, at a lower version of X12. (Refer to Approved DLMS Change 329, Use of Borrowed and Migration Codes in DLMS Supplements)</p>	No impact

6. REASON FOR CHANGE: Current 536L data element ID 236 ‘Price Identifier Codes’ in segment CTP02 lacks a code to identify a price as Moving Average Cost when inputted into the Unit Price field of CTP03.

7. ADVANTAGES AND DISADVANTAGES:

a. Advantages: Capability of transmitting MACs from LIMs to GIMs would assist DoD in complying with the reference 3.a. Financial Management Regulations, Volume 4 (Accounting Policy and Procedures), Chapter 4 (Inventory and Related Property), and the Statement of Federal Financial Accounting Standards No. 3, which require that DoD Components hold their inventory at moving average cost.

- **DOD 7000.14-R** defines moving average cost as: “Moving Average Cost. Moving average cost (MAC) is determined each time costs are incurred for a purchase or a reparable item is repaired/remanufactured by dividing the cost of total units available at the time (inventory plus current purchase or remanufacturing costs) by the number of total units available at that time...”
- **Statement of Federal Financial Accounting Standards No. 3** defines ‘Moving Average’ as: “MOVING AVERAGE: An inventory costing method used in conjunction with a perpetual inventory system. A weighted average cost per unit is recomputed after every purchase. Goods sold are costed at the most recent moving average cost.”

b. Disadvantages: None identified.

8. RESPONSES TO PDC 369:

<u>COMPONENT</u>	<u>RESPONSE</u>	<u>DLMSO COMMENT</u>
DLA	Concurs without comment. This will have EBS impact, and given DLA’s current SCR workload, DLA is probably looking at the FY11 timeframe for the earliest available implementation.	Noted.
USA	Concur.	Noted.
USN	Concurs as written.	Noted.
USAF	The Air Force concurs with PDC 369. We do, however, have the following comment from our CAV-AF Program Manager: These specific changes to these record formats were done to satisfy the Navy ERP requirements. They may impact any system using standard EDI MILSTRIP/MILSTRAP formats. CAV AF does not but we do use these same records in a DLMSO approved XML schema. We already were aware of what NAVSISA was doing and requested them to review the XML schemas and make a determination if they should also be requesting DLMSO approve changes to it as well. With this detail we can see what exactly was changed and have again asked NAVSISA if these specific changes impact the XML.	Noted. The AF XML comment is noted. DLMSO notes that DLMSO has only approved the EDI-based XML---these XML are identical to the EDI transactions and what is in the supplements. If AF is referring to ebXML or CICA XML, these schema are not yet approved and DLMSO has not disseminated the schemas. The only XML transactions that have been approved are the EDI-based XML and three passive RFID Visibility Transactions.
USTRANSCOM	Abstains.	Noted.

- 9. ASSUMPTIONS USED OR WILL BE USED IN THE CHANGE OR NEW DEVELOPMENT:** Assumption that all DoD Components will eventually transition to MAC as the principal method for valuing inventory per DOD's Financial Management Regulations.
- 10. ADDITIONAL COMMENTS TO CONSIDER:** None
- 11. NOTE ANY REGULATIONS OR GUIDANCE:** DOD FMR Vol. 4, Chapter 4 and SFFAS No. 3
- 12. ADDITIONAL FUNCTIONAL REQUIREMENTS:** None
- 13. ESTIMATED TIME LINE/IMPLEMENTATION TARGET:** Unknown; CTP segment revision can occur before DOD components have fully transitioned to MAC. [See DLA implementation information at paragraph 8, Responses to PDC 369.]
- 14. ESTIMATED SAVINGS/COST AVOIDANCE ASSOCIATED WITH IMPLEMENTATION OF THIS CHANGE:** Uncertain
- 15. IMPACT:**
- a. Publication(s):** DLMS 536L
 - b.** DOD Components will be in compliance with DoD FMR Vol. 4, Ch. 4 and SFFAS No. 4, thus helping to increase the probability of clean audit opinion of DOD by an independent, outside party.
 - c. Automated Information System:** Requires interface between Inventory Control Point (ICP) supply and financial areas for LIM to provide MAC in DS 536L LR Management Data transaction and for GIM to use the data.
 - d. DAASC Mapping:** Updates required to DAASC mapping.
 - e. New DLMS Data Element:** This change adds new local code for 'Moving Average Cost (MAC)' to 536L, which is not used in any other DLMS transaction.