



DEFENSE LOGISTICS AGENCY
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IN REPLY
REFER TO J627

April 25, 2012

MEMORANDUM FOR DISTRIBUTION

SUBJECT: Defense Logistics Management System (DLMS) Supply/Supply Discrepancy Report Process Review Committee (SPRC) Meeting 12-02, April 9, 2012.

The attached minutes of the DLA Logistics Management Standards Joint Supply/Supply Discrepancy Report PRC Meeting (12-02) are forwarded for your information and action as appropriate.

The DLA Logistics Management Standards point of contact is Ms. Ellen Hilert, (703) 767-0676, DSN 427-0676; or email ellen.hilert@dla.mil and Ms. Mary Jane Johnson, (703) 767-0677; or email mary.jane.johnson@dla.mil.

DONALD C. PIPP
Director
DLA Logistics Management Standards

Attachment

cc:
ODASD(SCI)
Attendees
Supply/SDR PRC



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MEMORANDUM FOR RECORD

SUBJECT: Defense Logistics Management System (DLMS) Joint Supply and Supply Discrepancy Report (SDR) Process Review Committee (PRC) Meeting 12-02, April 9, 2012

Purpose: The DLA Logistics Management Standards hosted the subject meeting as a focused topic PRC meeting to resolve open issues related to suspended stock and discrepant receipt processing at DLA distribution depots. Specific discussion topics are noted below. A list of attendees and briefing materials are available on the DLA Logistics Management Standards website: <http://www.dla.mil/j-6/dlms/Programs/Committees/Supply/supplyPRC.asp>. (Refer to hyperlinks from the meeting agenda for briefings).

Brief Summary of Discussion: Ms. Ellen Hilert, Co-chair, DOD Supply Process Review Committee (SPRC)/DOD Supply Discrepancy Report (SDR) System Administrator/DOD Military Standard Requisitioning and Issue Procedures (MILSTRIP), Administrator and Ms. Mary Jane Johnson, Co-Chair, DOD Supply Process Review Committee (SPRC)/Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP) Administrator, facilitated discussion. Action items identified below are to be worked within 10 days of this memorandum unless otherwise noted.

Review of Meeting Topics:

a. **Suspended Stock Update.** During the 2011 SPRC, the committee was advised that there was a significant issue with improperly identified material being returned by the Services to DLA depots. A pre-positioned materiel receipt is not provided to the depot to facilitate preparation of a receipt to the correct owner's account and insufficient documentation accompanies the shipment. With the heightened attention in the past year there is significant improvement in volume of suspended stock in storage. However, there continues to be a DOD-wide failure to follow MILSTRIP and MILSTRAP procedures resulting in assets being receipted in Supply Condition Code (SCC) K, Suspended (Returns) or SCC L, Suspended (Litigation) within the DLA distribution network. DLA Distribution and the DLA supply chains have been involved in a concerted effort to work with the Services to reduce the volume and value of suspended stock. Mr. Chris Lubic (DLA Distribution) briefed the DLA Distribution suspended stock initiatives to bring attention to two areas of concern: stemming the flow of material that has to be suspended, and obtaining timely disposition on open SDRs and Storage Quality Control Reports (SQCRs). The briefing revealed suspended stock in SCC J Suspended (In Storage), K, and L is valued at \$1.2 billion (improved from 2011 reported \$2.1 billion). The DLA goal is to get stock into issuable condition, and thereby fill backorders, reduce storage footprint and related handling

costs, prevent re-procurement, and increase order effectiveness, or, conversely, efficiently dispose of the unneeded stock. DLA Distribution is working on ways to improve their receiving process and better resolve issues as the materiel arrives. Some of the efforts to date are listed below. Refer to DLA Distribution slides for details and Service-specific trends)

(1) Establishment of DLA Distribution Services and Military Service Integrated Process Teams (IPTs). Root cause analysis points to packaging, labeling, and contract nonconformance.

(2) Using “tiger teams” at large depots, including the New Cumberland depot, to identify and properly mark a massive amount of previously unidentified returns.

(3) A DLA Continuous Process Improvement Initiative (CPI) focusing on SCC L (Litigation Material) looking for root causes of suspended new procurement materiel.

b. Revised Procedures for Processing Depot Returns under Approved DLMS Change ADC 484 (Draft) (staffed as PDC 403A). Ms. Hilert led a discussion of the specific procedural revisions included in the draft ADC as updated subsequent to discussion during the SPRC 11-01 PRC meeting. The goal of the discussion was to ensure understanding of the business rule changes and reach a consensus so that the ADC could be formally published and scheduled for implementation. Components disagreeing with the documented changes were asked to provide alternatives. The draft encompasses multiple aspects of receipt and discrepancy reporting procedures which were discussed as follows:

(1) SCC H Unserviceable (Condemned) Materiel

(a) The existing \$100 threshold for automatic disposal of SCC H materiel shall be raised to \$500. There were no objections to this revision and approval will be published.

(b) DLA Distribution will discontinue the current practice of converting assets in SCC H (that cannot be sent to disposal) to SCC K pending receipt of disposition instructions. This change in supply condition is unauthorized and misleading to the Component attempting to resolve the SDR. Although this process change may be problematic for Distribution Standard System (DSS), all Components support this requirement.

(2) Overarching Business Rules for Unidentified/Suspended Materiel

(a) Procedures will specify that there shall be no automatic disposal of unidentified materiel. There is universal agreement with this concept due to the risk of inadvertent disposal of controlled materiel; although, in practice, it will be extremely difficult to follow without MILSTRIP compliant shipment documentation from returning activities.

(b) The distribution depot will coordinate off-line with the (known/suspected) Inventory Control Point for unidentified new procurement materiel. This includes both wholesale stock shipments and requisitioned materiel shipped directly from the vendor. There is a procedure that based upon current MILSTRAP guidance for new procurement wholesale stock and will be clarified as applicable to direct vendor delivery (DVD) shipments.

(c) Suspended condition SDRs will contain secondary materiel identification and other supplemental information to help the action activity better understand the situation and provide disposition. The following changes have consensus for approval:

1. Materiel Identification. The plan is to use a defined structure based upon the Federal Supply Class (FSC) and descriptive name. The field length would be restricted to 15 positions to fit within the legacy receipt format, but within the DLMS transaction the value would be mapped to the Qualifier ZZ (used to identify nonstandard material when all other authorized codes do not apply or cannot be determined (including management control numbers and locally assigned control numbers)).

2. Manufacturer's Commercial and Government Entity (CAGE) Code. The CAGE will be required on suspended stock SDRs. This is a change from the original draft which only identified this requirement as applicable to unidentified materiel. When the actual value is not available, the depot will zero-fill the data field.

3. Description/Commodity Name. This will be required for unidentified materiel SDRs.

4. Bare Item Markings. This will be required for unidentified materiel SDRs.

5. Contract Number Reference. This will identify the contract number from the original packaging on returned materiel. This information will be required on suspended stock SDRs.

6. Original Packaging Indicator. This is a yes/no indicator informing the action activity when the returned materiel is in unopened packaging. This information will be required on suspended stock SDRs.

7. Returning Activity. The DoDAAC of the returning activity will be required for discrepant returns. The SDR must be prepared to identify the returning activity to receive an information copy. The returning activity may be able to respond to the SDR with materiel identification. It is important that the returning activity be notified of the discrepancy for training purposes and potentially held accountable for reimbursable costs. SDR distribution to retail/tactical level activities is impeded by the lack of supporting SDR application or assignment of an SDR monitor email address within the Army.

8. Location of Unidentified Materiel. This requirement is withdrawn by joint agreement as unnecessary for the SDR. Locations will be identified within DSS.

(d) Routing Rules. Routing rules for the SDR action activity were discussed at length. The proposed change recommended that the SDR for returns should be sent to the returning Service rather than the item manager/inventory control point (ICP).

1. The Navy and Marine Corps concurred with this approach and agreed that the Navy owner Routing Identifier Code (RIC) NRP and Marine Corps owner RIC MPB could be employed as a default owner RIC for SDRs lacking a known or usable owner RIC. (The Navy already has an agreement with DLA for processing returns from Navy ships and this change is not intended to impact that process).

2. The Air Force and Army were not able to concur with the revised procedures or provide an acceptable alternative. The Army and Air Force requested estimated volume/value for the additional discrepant materiel that would be reported to them under the revised procedure. DLA Disposition Services took an action to attempt to capture meaningful metrics, but it is not possible to identify the returning activity Service from current records so there will be limited ability to provide the requested information.

(e) Reimbursable Costs

1. While the MILSTRIP and Military Standard Billing Procedures (MILSBILLS) have long supported passing on the costs for disposal and repackaging of unauthorized returns to the returning activity as a method to bring about better behavior, Unauthorized returns specifically includes returns that have not been directed under the MILSTRIP Materiel Returns Program. DLA and the Services have been unable to implement this practice because there are no automated processes to support it. With the identification of the returning activity on the SDR, DLA distribution and the Services may want to consider taking action.

2. The cost for storage of discrepant materiel stored in the DLA depot will be charged to the owner account automatically. If the ownership is established with the returning Service under the proposed procedures, these charges will be directed to the owner RIC. Since DLA is currently the manager for much of the materiel returned without authorization, the DLA representatives believe DLA is bearing an unfair burden due to Services violating DoD policy and procedures.

(f) Reclassification Time Standards (other than ammunition)

1. The proposed procedures revised the existing MILSTRAP time standard for reclassification of SCC K materiel from ten days to 80 days. The original MILSTRAP time standard was considered unreasonable and lacked a division of responsibility between the owner/manager and the depot. The revised standard of 80 days will be split between the owner/manager (allowing the routine SDR time standard of 50 days for SDR response) and the depot (allowing 30 days to effect the requested reclassification action).

2. The meeting participants discussed extending the revised time standard for SSC J materiel. The current time standard under MILSTRAP requires completion of the reclassification within 90 calendar days after reporting the original transfer to the owner. The consensus was that the time standard for SSC K and J should be consistent and MILSTRAP will be revised to reflect 80 days for SCC J reclassification.

3. During discussion, it was noted that there are separate time standards for ammunition. Since there is no reported problem with ammunition reclassification time standards, these will not be impacted by discussed change.

c. Supply PRC/SDR 12-02 Required Actions:

(1) Army to provide RIC and/or e-mail address to DLA Distribution Services and the SDR System Administrator for the receipting and routing of SDRs for unauthorized returns. The Army reported that they are assessing the feasibility of using the Army's Non-Army Managed Items Group, Supply Directorate (NAMI Group, RIC AJ2) for this purpose, but additional research and coordination will be required. (Brad Meder/Dan Burrus/Darlene Carrier)

(2) Army to provide e-mail addresses to be used for SDRs directed to the returning activity pending implementation of an SDR application to support retail/tactical level SDR processing. (Dan Burrus/Darlene Carrier)

(3) DLA Distribution to provide Air Force Materiel Command with value of Air Force materiel currently suspended in DLA depots. The Air Force and the Army representatives would also like to better understand the volume of SDRs and associated dollar value that would be direct to the Service rather than DLA if the recommended procedures were implemented. It is not clear if this information can be captured. Subsequent to the meeting, DLA Distribution (Rodney Owens) provided the following estimates as follows:

- Total amount of material in SCC J, K, and L at the East Coast Depots Air Force material: 419
Dollar value: \$27,389,474
- Total amount of material in SCC J, K, and L at the West Coast Depots Air Force material: 560
Dollar value: \$46,741,024

The SDR Administrator requested that DLA attempt to isolate the volume/value of SDRs for non-DLA-managed materiel that have been directed to DLA by the depots, since these SDRs (and the associated receipts) are misrouted under existing procedures. In March 2011, DLA reported SDRs for non-DLA-managed materiel valued in excess of \$6 million.

(4) Army to provide current status/timeline for Global Combat Support System-Army (GCSS-Army) development and planned interface with WebSDR. (Dan Burrus)

(5) The due date for outstanding Component responses to PDC 403A was extended to April 30, 2012. (Applicable to Army, Air Force, and Marine Corps) The SDR System Administrator requested that Components non-concurring with specific aspects of the proposal (such as designation of returning activity's Service as the owner/action activity) provide alternative procedures. Subsequent to the meeting, Components were asked to document their concurrence with the remainder of the proposed revisions so that selected uncontested portions of the change could be published (rather than submitting a non-concurrence with the entire change).

(6) Ms. Hilert will update the change documentation as discussed above for release as ADC 484 upon receipt of Component responses. The default owner RIC processing procedures will be withheld from the ADC publication pending further discussion if it cannot be resolved in the near term.

Wrap up. Ms. Hilert thanked the Components for their participation in the joint SDR and Supply PRC meeting. The meeting participants agreed that the meeting format using focused topics and conference call/Defense Connect Online (DCO) was productive and minimized meeting impact (cost and time). No schedule was announced for future meetings.



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Co-Chair DOD Supply PRC
DOD SDR System Administrator

Approved: 

DONALD C. PIPP
Director,
DLA Logistics Management Standards



MARY JANE JOHNSON
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