



DEFENSE LOGISTICS AGENCY  
HEADQUARTERS  
8725 JOHN J. KINGMAN ROAD  
FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY  
REFER TO

J627

November 15, 2011

MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE (PRC) MEMBERS

SUBJECT: Approved Defense Logistics Management System (DLMS) Change (ADC) 443, Intra-DLA Revisions to Procedures and to 527R Receipt and 947I Inventory Adjustment for the Downgrade for Scrap Process for use by DLA Disposition Services under Reutilization Business Integration (RBI) (Supply) (Staffed as PDC 462)

The attached change to DOD 4000.25-M, DLMS, is approved for implementation. The Defense Logistics Agency (DLA) anticipated implementation date is January 17, 2012. The updated DLMS Supplement will be posted to the DLA Logistics Management Standards Web at [www.dla.mil/j-6/dlms/elib/TransFormats/formats.asp](http://www.dla.mil/j-6/dlms/elib/TransFormats/formats.asp) within 10 days from the date of this memorandum date for implementation planning.

Supply PRC representatives may direct questions to Ms. Mary Jane Johnson, email [Mary.Jane.Johnson@dla.mil](mailto:Mary.Jane.Johnson@dla.mil). Others must contact their Component designated Supply PRC representative.

*for* *Mary Jane Johnson*  
DONALD C. PIPP  
Director  
DLA Logistics Management Standards

Attachment  
ADC 443

cc:  
ODASD(SCI)  
Joint Physical Inventory Working Group (JPIWG)  
DLA Finance PRC member

## ATTACHMENT TO ADC 443

### Intra-DLA Revisions to Procedures and to 527R Receipt and 947I Inventory Adjustment for the Downgrade for Scrap Process for use by DLA Disposition Services under Reutilization Business Integration (RBI) (Supply)

#### 1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION:

- a. **Technical POC:** DLA Logistics Information Service Agency-LMT, J6B.
- b. **Functional POC:** DLA Logistics Information Service Agency-LAR, J6B.

#### 2. FUNCTIONAL AREA:

- a. **Primary/Secondary Functional Area:** Primary: Supply/Inventory Management
- b. **Primary/Secondary Functional Process:** Primary: Materiel Receipt/Inventory

#### 3. REFERENCES (PDCs are available at [www.dla.mil/j-6/dlms/eLibrary/Changes/proposed.asp](http://www.dla.mil/j-6/dlms/eLibrary/Changes/proposed.asp)):

a. DLA Logistics Management Standards memorandum, June 20, 2011, subject: PDC 434, Intra-DLA Revisions DLMS 527R Receipt and Associated Procedures for Use by DLA Disposition Services under Reutilization Business Integration (RBI) (Supply)

b. DOD 4160.21-M, Defense Materiel Disposition Manual, available at [www.dtic.mil/whs/directives/corres/pdf/416021m.pdf](http://www.dtic.mil/whs/directives/corres/pdf/416021m.pdf)

c. DLA Logistics Management Standards memorandum, November 07, 2011, subject: ADC 447, Intra-DLA Revisions to the DLMS Supplement 832N, Catalog Data Support and Associated Procedures under Reutilization Business Integration (RBI) (Supply)

d. DLA Logistics Management Standards memorandum, September 01, 2011, subject: ADC 413, Intra-DLA Revisions to Procedures and DLMS 846A Asset Reclassification Transaction to Add Disposition Services Container ID Number Change Functionality for use by DLA Disposition Services Under Reutilization Business Integration (RBI) (Supply)

e. DOD 4160.28-M:

1) Volume 1, Defense Demilitarization: Program Administration, available at [www.dtic.mil/whs/directives/corres/pdf/416028m\\_vol1.pdf](http://www.dtic.mil/whs/directives/corres/pdf/416028m_vol1.pdf)

2) Volume 2 -Defense Demilitarization: Demilitarization Coding, available at [www.dtic.mil/whs/directives/corres/pdf/416028m\\_vol2.pdf](http://www.dtic.mil/whs/directives/corres/pdf/416028m_vol2.pdf)

3) Volume 3 - Defense Demilitarization: Procedural Guidance, available at [www.dtic.mil/whs/directives/corres/pdf/416028m\\_vol3.pdf](http://www.dtic.mil/whs/directives/corres/pdf/416028m_vol3.pdf)

f. DODI 2030.08, Implementation of Trade Security Controls (TSC) for Transfers of DOD U.S. Munitions List (USML) and Commerce Control List (CCL) Personal Property to Parties Outside DOD Control, available at [www.dtic.mil/whs/directives/corres/pdf/203008p.pdf](http://www.dtic.mil/whs/directives/corres/pdf/203008p.pdf)

**NOTE: Significant changes from the PDC are highlighted in yellow throughout this ADC**

**4. BACKGROUND:** The DLA Disposition Services (formerly Defense Reutilization and Marketing Service (DRMS)) is a worldwide presence within the Department of Defense, with disposal specialists in 14 foreign countries, two U.S territories, and 39 states. DLA Disposition Services' mission is the execution of disposition solutions for excess military property. The RBI project will replace the DRMS Automated Information System (DAISY) by integrating DLA Disposition Services business processes within the DLA enterprise suite of applications, including the Distribution Standard System (DSS) and the Enterprise Business system (EBS).

PDC 434 (reference 3a) addressed materiel receipt procedures for DLA Disposition Services Field Offices. When the Services no longer need an item, they will turn it into a DLA Disposition Services Field Office. The customer assigns a Defense Turn In Document (DTID) number to each turn in. On the turn-in document, the Services will provide the National Stock Number (NSN) when available, or a Service local stock number (LSN) and as much descriptive data as possible. If an NSN is not assigned to the item at the time of turn-in, then the DLA Disposition Services Field Office assigns a **Disposition Services LSN** to the item. **Receipts will only be processed in EBS for Disposition Services if the materiel has an NSN, or one of the pre-defined Disposition Services LSNs.** The master LSN list for DLA Disposition Services will be maintained in EBS. When an LSN (scrap or usable) is updated in EBS, EBS sends an 832N Catalog Data Support transaction to DSS to update its LSN table<sup>1</sup>.

When the DLA Disposition Services Field Office receives an item, the receiver will perform a visual inspection of each turn-in item **to verify whether the item is usable in its current state or needs to be downgraded to scrap.** In addition to this, each receiver will perform initial research via Federal Logistics Information System (FLIS) (for items that are submitted by NSN) to verify that the data submitted is accurate FLIS data. **If required, the receiver will make updates to any data discrepancies.** The receiver will submit the required data to EBS via an intra-DLA DSS-EBS interface to obtain the appropriate disposition category for the item. EBS will send back the appropriate disposition category to the receiver within DSS. Once EBS recommends a disposition category, DSS completes the receipt process with a 527R Receipt transaction

**a. Intent of the transaction:** These transactions support the downgrade of materiel to scrap by DLA Disposition Services as authorized under DOD authority in DOD 4160.21-M (reference 3b):

1) DOD 4160.21-M, Chapter 3, Paragraph B. "TURN-IN TO THE DRMO" [*now referred to as a DLA Disposition Services Field Office*] Subparagraph 4. "Accountability of property which is not disposed of through RTD may not be returned to the generating activity, except as specified in Chapter 4, Property Requiring Special Processing. HP shall be processed as HW disposal service contracts. Other property shall be downgraded to scrap, processed for Abandonment/Destruction, or disposed by a DLA Disposition Services service contract."

2) DOD 4160.21-M, Chapter 3, Paragraph F. "ACCOUNTING FOR PROPERTY AT THE DRMO" Subparagraph 3.b. "Personal property, which, in the opinion of DRMO, has no commercial value other than for basic materiel content, may be downgraded to scrap after the End of Screening Date (ESD) **and** or completion of any required DEMIL."

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<sup>1</sup> Refer to ADC 447 (reference 3c) for information on use of 832N transaction with DLA Disposition Services.

**STAFFING NOTE: Throughout this change, DLA Disposition Services ICP uses EBS; DLA Disposition Services Field Offices use DSS.**

**b. Scenario for which the transaction is used.** The two scenarios are as follows:

**1) Downgraded Items at Time of Turn-in (at Time of Receipt):** During the receiving process, if the DLA Disposition Services receiver determines the item is not usable and should be downgraded to scrap upon receipt, the receiver will assign a Disposition Services Scrap LSN to replace the existing NSN or LSN found on the original DTID generated by the customer. Then the DLA Disposition Services Field Office, during the pre-receipt process (detailed in Reference 3a.), initiates in DSS a “Request for Disposition” from EBS. EBS then assigns the “Disposition Category” and returns the “Disposition Category” response to DSS. When the “Disposition Category” is assigned for the Scrap item, the receiver submits the receipt for the scrap item to EBS using the 527R Receipt transaction with a Scrap LSN. In this scenario, if the entire DTID materiel is being downgraded to scrap at receipt, then the original DTID number will remain. The original NSN or LSN will be referenced in the 527R for audit purposes to link the original NSN or LSN to the newly assigned Scrap LSN. If there is a duplicate DTID, a unique control number (UCN) will be generated for the downgrade to scrap. If only part of the DTID will be downgraded to scrap then a UCN will be generated. **STAFFING NOTE:** The 527R Receipt transaction for materiel downgraded to scrap at time of receipt will not reflect the new 527R 2/LIN01/010 code W (Receipt as a result of DLA Disposition Services process, authorized by DOD 4160.21-M, to downgrade materiel to scrap subsequent to the initial receipt of materiel). The 527R for materiel downgraded to scrap at time of receipt will reflect the appropriate 2/LIN01/010 code to identify the source of the materiel for that receipt (e.g., LIN01 code ‘I’ = “Return to inventory from own Service/Agency users”; LIN01 Code ‘J’ = “Return to inventory from other DOD activity users”, etc. LIN01 codes ‘I’ and ‘J’ represent MILSTRAP DI Codes D6A and D6B functionality respectively). In addition, there is no 947I Inventory Adjustment Decrease (Downgrade to Scrap) associated with materialmateriel downgraded at time of receipt.

**2) Downgraded Items After Turn-in (After Receipt):** At the end of the 42-day screening cycle, or at any time after receipt, if EBS determines an item is not eligible for sales (i.e. assigns a disposal status); EBS will send an 846C Disposition Status Update transaction to DSS with the DTID flagged as DS-Disposal. When DSS receives the “DS” recommendation from EBS, the DSS Ultimate Disposal process determines the final disposition of the property according to pre-defined business rules. If the decision is “downgrade to scrap”, DSS sends EBS a DLMS 947I Inventory Adjustment (with Quantity or Status Adjustment Reason Code “BS-Downgrade (DI Code D9\_ (loss) functionality)). Within DSS, a new receipt is created for the scrap using the 527R Receipt with 2/LIN01/010 code ‘W’ (W-Receipt as a result of DLA Disposition Services process to downgrade to scrap subsequent to the initial receipt of materiel.); the standardized DLA Disposition Services Scrap LSN will be assigned in compliance with the scrap classification listing. In addition, a Unique Control Number (UCN) is assigned and associated to the original DTID; this is necessary because a receipt submitted to EBS under the original DTID would appear as a duplicate entry and could not be processed. This UCN now becomes the controlling document number (it functions as if it were the original DTID). The new Scrap receipt will still contain the original DTID as a secondary reference number, and original materiel identification (NSN or LSN) as a reference materiel number. If the item is part of a container when this happens, DSS will also

send an 846A, Asset Reclassification transaction, which will remove the item from a container.<sup>2</sup> The UCN and the original DTID will both be annotated in the transaction.

## 5. PROPOSED CHANGE:

**a. Requested change in detail:** Revise DLMS 527R Receipt and 947I Inventory Adjustment (Loss) transactions to clearly identify those transactions associated with the DLA Disposition Services downgrade of materiel to scrap subsequent to the initial receipt of the materiel from the customer.

**b. Procedures.** This change updates the DLMS 527R Receipt and 947I Inventory Adjustment transactions and procedures used by the DLA Disposition Services.

1) Revise DLMS 527R Receipt and 947I Inventory Adjustment transactions as shown in Enclosure 1.

2) Revise DOD 4000.25-M, DLMS, Volume 2, Chapter 16 as shown in Enclosure 2.

**c. Alternative: STAFFING NOTE:** The following alternative to use of a Receipt transaction when DLA Disposition Services downgrades materiel to scrap after the initial receipt, was proposed by the DOD MILSTRAP Administrator but was not acceptable to RBI for reason stated. Accordingly it is provided for information/visibility only and it does not require comment. The DOD MILSTRAP Administrator had proposed that a 947I Dual Inventory Adjustment transaction be used when DLA Disposition Services downgrades materiel to scrap at some point subsequent to the initial receipt, to provide a clean audit trail for the 'downgrade to scrap' process. The suggested Dual Inventory Adjustment (Downgrade to Scrap), would have addressed materiel being both downgraded to scrap, and reidentified from an NSN/LSN to a Scrap LSN. The dual adjustment would have reflected both the loss to the original NSN/LSN, and a gain to the new Scrap LSN.

**Reason this approach was not acceptable to RBI:** RBI stated that they require a 527R Receipt for the materiel downgraded to scrap after the initial receipt due to a system constraint surrounding EBS controlled property logic and financial accounting. For this same reason DLA stated that an Inventory Adjustment (Reidentification) (947I for MILSTRAP D8J/D9J functionality) did not meet the EBS requirement to process a 527R receipt when materiel is downgraded to scrap.

**6. REASON FOR CHANGE:** As a result of RBI, DLA Disposition Services Field Offices will use DSS and DLA Disposition Services ICP will use EBS to manage inventory and property issues. The DLA Disposition Services Field Office will process receipts and send the 527R Receipt transaction to the DLA Disposition Services ICP. The Receipt will include information required to properly receipt materiel, complete all validations required, post the inventory, and then complete post-receipt activities such as writing the record to the reimbursement table or disposing of the asset. These changes to the receipt and inventory adjustment transactions and procedures will ensure the same or better functionality exist after the implementation of RBI as before.

## 7. ADVANTAGES AND DISADVANTAGES:

**a. Advantages.** DLA Disposition Services (using EBS and DSS), will be able to comply with DLMS standards for the RBI process.

**b. Disadvantages:** None identified.

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<sup>2</sup> Refer to ADC 413 (reference 3d) for the DLA Disposition Services container ID number change process using the DLMS 846A transaction.

**8. DEFENSE AUTOMATIC ADDRESSING SYSTEM (DAAS) MAPPING:** Update DAAS maps to allow new data to pass any applicable edits.

**9. NOTE ANY REGULATIONS OR GUIDANCE:** As a minimum, requires update to DOD 4000.25-M, DLMS, Volume 2 procedures, as well as the appropriate publication for DLA Disposition Services.

**10. ESTIMATED TIME LINE/IMPLEMENTATION TARGET:** January 17, 2012

**11. IMPACT:**

**a. PUBLICATIONS:**

- 1) Requires update to DLMS 527R Receipt transaction
- 2) Requires updates to DLMS 947I Inventory Adjustment transaction
- 3) Requires update to DOD 4000.25-M, DLMS, Volume 2, chapter 16 to add procedures for the Disposition Services Downgrade to Scrap processing under RBI, as shown in Enclosure 2.

**b. AUTOMATED INFORMATION SYSTEMS (AIS):**

- 1) **DLA:** Impacts DAAS, EBS, and DSS.
- 2) **Service AIS:** DLA advises that there will be no impact to Services systems as a result of this change.

**c. New DLMS data: Reference Materiel Number.** DLA Disposition Services uses the Reference Materiel Number to identify when materiel turned into a DLA Disposition Services Field Office was determined to be scrap at initial receipt and/or downgraded after receipt, and a Disposition Services scrap LSN was cited as the primary materiel identification. The NSN or Service LSN that the generator identified when materiel was turned in will be populated as the Reference Materiel Number.

**12. PDC 462 COMMENTS AND DISPOSITION:**

Organization	PDC 462 Comment	Disposition
Army	Concurs as written.	Noted.
Navy	Concurs as written and submits no additional changes or amendments.	Noted.
Air Force	Concurs without comment.	Noted.
Marine Corps	Concurs as written.	Noted.
USTRANSCOM	Approves	Noted.
DLA	DLA concurs with comments (comments from DLA J33): <b>1.</b> Recommend referencing the Defense DEMIL Manual (DOD 4160.28-M) and Trade Security Control (DODI 2030.08) available as follows: DOD 4160.28-M a. Volume 1 - <a href="http://www.dtic.mil/whs/directives/corres/pdf/416028m_vol1.pdf">www.dtic.mil/whs/directives/corres/pdf/416028m_vol1.pdf</a> b. Volume 2 - <a href="http://www.dtic.mil/whs/directives/corres/pdf/416028m_vol2.pdf">www.dtic.mil/whs/directives/corres/pdf/416028m_vol2.pdf</a> c. Volume 3 - <a href="http://www.dtic.mil/whs/directives/corres/pdf/416028m_vol3.pdf">www.dtic.mil/whs/directives/corres/pdf/416028m_vol3.pdf</a>  DODI 2030.08 - <a href="http://www.dtic.mil/whs/directives/corres/pdf/203008p.pdf">www.dtic.mil/whs/directives/corres/pdf/203008p.pdf</a>	References added as requested.



Organization	PDC 462 Comment	Disposition
DLA continued	<p>2. PDC 462, Page 1 of 5, 4., second paragraph: Should "If an NSN is not available, then the DLA Disposition Services Field Office assigns an LSN for the receipt, "instead read " If an NSN or LSN is not available,"? Otherwise, it sounds like there would be two LSNs assigned, one by the original Service, and another one by Disposition Services. Wouldn't we just use the LSN and description provided by the Service (if it exists)?</p>	<p><u>RBI response</u>: The only valid materials that will be allowed to be processed on a receipt sent to EBS will be a NSN or a Disposition Services LSN. All other Services based LSNs will have to be replaced with a Disposition Services LSN in order to be successfully processed in EBS. In the case where an item is turned in with a Services LSN, the receiver will find the corresponding Disposition Services LSN put that on the receipt and store the Services LSN in a reference field on the receipt submitted to EBS. We cannot process services LSNs since we do not have records created in EBS for them.</p> <p>Paragraph updated in ADC for clarification.</p>
	<p>3. PDC 462, Page 2 of 5, second paragraph: Recommend instructions, paragraph, or a reference be included for actions the receiver or system would take if items do not match the data found on the DTID</p>	<p><u>RBI Response</u>: Updated the paragraph to make it clearer (change is in <b>highlighted bold italics</b>):</p> <p>“When the DLA Disposition Services Field Office receives an item, the receiver will perform a visual inspection of each turn in item <b>to verify that the item is usable in its current state or does it need to be downgraded to scrap. In addition to this, each receiver will perform initial research via FLIS (for items that are submitted as NSNs) to verify that the data submitted is accurate FLIS data. If required the receiver will make updates to any data discrepancies. If the item matches the data found on the DTID,</b>†The receiver will submit the required data to EBS via an intra-DLA DSS-EBS interface to obtain the appropriate disposition category for the item. EBS will send back the appropriate disposition category to the receiver within DSS. Once EBS recommends a disposition category, DSS completes the receipt process with a 527R Receipt transaction.”</p>

Enclosures

**ENCLOSURE 1 TO ADC 443**

**A. DLMS Supplement (DS) 527R Receipt Change Table.** Revise DS 527R, as follows:

#	Location	DS 527R Receipt Revision	Reason
1	DLMS Intro Notes	<p><u>Add ADC 443 to DLMS Introductory note 5:</u></p> <p><i>- ADC 443, Intra-DLA Revisions to Procedures and to 527R Receipt and 947I Inventory Adjustment for the Downgrade for Scrap Process for use by DLA Disposition Services under Reutilization Business Integration (RBI) (Supply)</i></p>	Identifies changes included in DS.
2	2/LIN01/010	<p><u>Add new code 'W' to the LIN01 receipt codes</u></p> <p><b><i>22. V - Reserved for assignment by DoD.</i></b></p> <p><b><i>23. W - Receipt as a result of DLA Disposition Services process, authorized by DoD 4160.21-M, to downgrade materiel to scrap subsequent to the initial receipt of materiel. There is no corresponding MILSTRAP DI Code for this use. Authorized DLMS enhancement for DLA Disposition Services only. Refer to ADC 443.</i></b></p> <p><del>23.</del> <b><i>24. X – For temporary use in intra-Army transactions to record Decapitalization/Capitalization of assets between funding types. Army authorized DLMS migration enhancement for interim use until implementation of Army Exchange Pricing (estimated to be April 2009). 'X' will be deleted from 527R at that time. This is associated with Intra-Army use of DI Code D6X when rp 73 = X. Refer to ADC 267.</i></b></p> <p><del>24.</del> <b><i>25. Y – CAV Detail Record. Authorized for INTERIM USE by Navy as a flag to identify CAV non-balance affecting 'detail' receipt transactions. The balance affecting CAV "summary" receipt transaction must use the appropriate standard LIN01 code. Value 'Y' is nonstandard and is authorized for intra-Navy interim use pending implementation of "detail" information within a standard DLMS receipt through looping structure. Navy will address CAV becoming compliant with DLMS standard after Navy ERP completes the Single Supply Solution Release 1.1 implementation in 2012. LIN01 code 'Y' will be deleted from 527R at that time. Refer to ADC 342.</i></b></p> <p><del>22.</del> <b><i>26. Z – For use with returns not identified by other codes. Requires use of 2/NTE/110 which will require manual intervention. Avoid use except under extraordinary circumstances.</i></b></p>	<p>New code for receipt from downgrade supports RBI requirements.</p> <p><b>Administrative updates</b> to renumber location of codes X, Y, and Z as shown at left, so all codes appear in DS in alphabetic sequence.</p>



#	Location	DS 527R Receipt Revision	Reason
3	2/LIN08/010	<p>OPEN LIN08 and add new qualifier 'FS' and 'SW':</p> <p><b>Federal Note:</b> Use any code</p> <p><b>DLMS Note:</b> <i>DLA Disposition Services uses the Reference Materiel Number when materiel turned into a DLA Disposition Services Field Office was determined to be scrap at initial receipt and/or downgraded after receipt, and a DLA Disposition Services scrap LSN was cited at LIN02/LIN03. The NSN or LSN that the generator identified when materiel was turned in will be populated as the Reference Materiel Number at LIN08/LIN09. Authorized DLMS enhancement for use by DLA Disposition Services in receipt and historical receipt transactions. Refer to ADC 443.</i></p> <p><i>For DLMS use only the following codes are authorized.</i></p> <p><b>FS National Stock Number</b></p> <p><b>SW Stock Number</b></p> <p><b>DLMS Note:</b> <i>Use to identify the local stock number (LSN).</i></p> <p><b>STAFFING NOTE:</b> The reference materiel number will be populated when a NSN/Disposition Services LSN was turned into a DLA Disposition Services Site but was determined by the receiver to be receipted as scrap instead. When this occurs, the scrap LSN number will be populated in the LIN02 materiel identification field, and the NSN/Disposition Services LSN, which the generator turned in, will be populated as the Reference Materiel Number. This allows for traceability of downgrades to scrap. This is an additional reference materiel if an item has been downgraded to scrap – this references the original materiel on the receipt. RBI would like to keep a separate field for a “Reference Materiel Number” from the LIN04/05 in the case that there is a related Service LSN for the item at LIN04/05. EBS will only store items that contain a valid NSN or are one of the DLA Disposition Services LSNs.</p>	<p>Supports RBI.</p> <p>Reference Materiel Number is the cross reference materiel ID required when materiel is downgraded at time of receipt.</p> <p>(Note: LIN06/07 was opened by PDC 434 (which will become ADC 442.)</p>
4	2/LIN09/010	Open LIN09	Supports RBI

**B. DS 947I CHANGE TABLE.** Revise DS 947I as follows (table reflects version 4030; corresponding changes will be made to version 4010; however NOTE that only version 4030 has IUID capability):

#	Location (version 4030)	DS 947I Inventory Adjustment Revision	Reason
1	DLMS Intro Notes	<p><u>Add ADC 443 to DLMS Introductory note:</u></p> <p><i>- ADC 443, Intra-DLA Revisions to Procedures and to 527R Receipt and 947I Inventory Adjustment for the Downgrade for Scrap Process for use by DLA Disposition Services under Reutilization Business Integration (RBI) (Supply)</i></p>	Identifies changes included in DS.
2	2/W1901/0200	<p><u>Add new qualifier 'BS' with DLMS note:</u></p> <p><b>BS Downgrade</b></p> <p><b>DLMS Note:</b> <i>Inventory Adjustment Decrease (Downgrade to Scrap). Loss resulting from the DLA Disposition Services process, authorized by DoD 4160.21-M, to downgrade materiel to scrap subsequent to the initial receipt of materiel. Single adjustment. There is no corresponding MILSTRAP DI Code for this use. Authorized DLMS enhancement for DLA Disposition Services only. Refer to ADC 443.</i></p>	New code for inventory adjustment resulting from downgrade to scrap supports RBI requirements.

## ENCLSOURE 2 to ADC 443

### DOD 4000.25-2-M, DLMS, Volume 2, Chapter 16 Procedures Associated with ADC 443

DLA recommends Inclusion of the following Scrap Downgrade procedures in New Section of Chapter 16, section C16.6. These procedures are new in their entirety and were not staffed with PDC 462:

#### *C16.6.4 Scrap Downgrade*

*C16.6.4.1. Downgrade to Scrap. The downgrade to scrap process is used by the DLA Disposition Services and their Field Offices when an item is no longer needed and the property has no commercial value other than for basic material content. Policy regarding downgrading materiel to scrap can be found in DoD 4160.21-M, Defense Material Disposition Manual.*

*C16.6.4.2. Downgrade Items Upon Receipt (at Time of Turn-in): During the receiving process, if the DLA Disposition Services Field Office determines the item has only scrap value, the item may be downgraded to scrap upon receipt. The Field Office shall assign a Disposition Services Scrap LSN to replace the existing NSN or LSN found on the original DTID generated by the customer.*

*C16.6.4.2.1. During the pre-receipt process, the Field Office shall request a "Disposition Category" from DLA Disposition Services (see 16.6.x.x.x DLA Disposition Category Assignment Procedures).\* Once the Disposition Category assignment response is provided, the Field Office shall submit the receipt for scrap to the DLA Disposition Services, using DLMS 527R Receipt (Transaction Type Code D4) using a Scrap LSN. The 527R Receipt for materiel downgraded to scrap at time of receipt shall reflect the source of the materiel received/returned code, e.g., J = Return to inventory from other DoD activity users (see Chapter 13 for the MRR, Reason for Materiel Receipt/Return\*\*).*

**\*STAFFING NOTE:** This paragraph to be developed based on PDC 436 (which will become ADC 412).

**\*\* STAFFING NOTE:** The DOD MILSTRAP Administrator is updating DLMS, Volume 2, Chapter 13 Receipt chapter to include a list of the 527R LIN01 Reasons for Materiel Receipt/ Return)

*C16.6.4.2.2. If entire quantity on the DTID is being downgraded to scrap, the original DTID number shall remain and the original NSN/LSN shall be referenced in the 527R Receipt for audit purposes, to link to the newly assigned Scrap LSN. If the DTID is a duplicate number, then a Unique Control Number (UCN) shall be generated for the downgrade to scrap.*

*C16.6.4.2.3. If only part of the DTID is being downgraded to scrap, then a UCN shall be generated and the 527R Receipt shall contain the original DTID as a secondary reference number.*

*C16.6.4.3. Downgrade Items After Turn-in (After Receipt). Any time after receipt, DLA Disposition Services may notify the Disposition Services Field Office via a DLMS 846C, Disposition Status Update Transaction (Report Type Code PC), to change the disposition status of the DTID to 'DS' (Disposal). When the Field Office receives a disposal recommendation, the disposition of the property at the Field Office is determined by pre-defined Ultimate Disposal process business rules.*

*C16.6.4.3.1. If the business rule decision is to downgrade to scrap, the Field Office shall send a 947I, Inventory Adjustment (Transaction Type Code NU) with Quantity or Status Adjustment Reason Code BS – Downgrade (Loss).*

*C16.6.4.3.2. A new receipt is created for the scrap using the 527R Receipt with the source of materiel received/returned code W - Receipt as a result of DLA Disposition Services process to downgrade to scrap, subsequent to the initial receipt of materiel. A DLA Disposition Services scrap LSN shall be assigned in compliance with the scrap classification listing for use in the new 527R, Receipt. A UCN shall be assigned and associated with the original DTID to avoid duplication in DLA Disposition Services. This UCN shall become the controlling document number in the 527R. The new Receipt shall contain the original DTID as a secondary reference number, and shall reference the original materiel identification (NSN or LSN).*

*C16.6.4.3.3. If the materiel/DTID downgraded to scrap is part of a container, the Field Office shall generate an 846A, Asset Reclassification Response (Report Type Code TD), to delete the DTID/container association in order to maintain container synchronization and inventory accuracy (see C16.6.3.2., Disposition Services Container Transfer\*).*

**\*STAFFING NOTE:** This is the paragraph number was assigned in ADC 413.