



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

IN REPLY
REFER TO

November 01, 2012

MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE (PRC) MEMBERS

SUBJECT: Proposed Defense Logistics Management System (DLMS) Change (PDC) 1031,
Foreign Military Sales (FMS) Repair Value (Supply/MILSTRIP)

The attached proposed change to Defense Logistics Manual (DLM) 4000.25, Defense Logistics Management System (DLMS) and DLM 4000.25-1, Military Standard Requisition and Issue Procedures (MILSTRIP) is forwarded for evaluation and submission of a single coordinated position. The interface requirement relating to this proposed change is shown to assist in your internal coordination. However, omission of such a requirement does not relieve you of the responsibility to ensure full coordination of the proposal within your Component.

Request you review the attached proposed change and provide your comments/concurrence to DLA Logistics Management Standards office no 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 MILSTRIP Administrator, 703-767-0676 or DSN 427-0676, email: ellen.hilert@dla.mil, or Ms. Heidi Daverede, DOD MILSTRIP Alternate, 703-767-5111; DSN 427-5111, e-mail: heidi.daverede@dla.mil. Others may direct questions to their Service or Agency designated Supply PRC representative.

DONALD C. PIPP
Director
DLA Logistics Management
Standards Office

Attachment
As stated

cc:
ODASD(SCI)
Finance PRC

Attachment to PDC 1031
Foreign Military Sales (FMS) Repair Value

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION:

- a. Defense Security Cooperation Agency (DSCA) , (703) 601-3672
- b. Defense Logistics Agency (DLA) J332, DSN 427-1249, Commercial 703-767-1249

2. FUNCTIONAL AREA:

- a. **Primary/Secondary Functional Area:** Export Compliance/Supply
- b. **Primary/Secondary Functional Process:** FMS Repair and Repair/Replace Program/Distribution

3. REFERENCES:

- a. Title 22, Code of Federal Regulations, Parts 123.4(a)(5) and 126.6
- b. Defense Security Cooperation Agency Memo of March 27, 2012, Subject: Repair Costs on Invoice/Shipping Documentation for Repaired Foreign Military Sales (FMS) Materiel, DSCA Policy 12-17 (See Enclosure 1)
- c. GAO Report 03-599, subject: Foreign Military Sales: Actions Needed to Provide Better Controls over Exported Defense Articles, June 5, 2003
- d. GAO Report 09-454, subject: Foreign Military Sales Program Needs Better Controls for Exported Items and Information for Oversight,” May 20, 2009

4. REQUESTED CHANGE(S):

a. **Brief Overview:** This change requires shipping activities preparing the DD 1348-1A, Issue Release/Receipt Document (IRRD) or DD Form 1348-2, Issue Release/Receipt Document with Address Label, to print the repair service value on the shipment document for FMS shipments associated with a repair and return or return and replace program. To facilitate this requirement for materiel stored in a DLA Distribution Depot or other storage activity, the repair service value is added to the DLMS materiel release order (MRO) transaction so it will be available at the time the shipment document is printed. Additionally, this change allows for inclusion of the repair service value in the supply status transaction.

b. Background:

(1) U.S. Customs and Border Protection (CBP) informed DSCA that repair and return/repair and replace invoices/shipping documentation, provided by the DOD repair facility often reflects the materiel acquisition value and not the repair (service) value (charge). This absence of the repair cost on the DOD shipment document is exhausting the exportable value on the export records maintained by CBP for each FMS case.

(2) In addition to the invoice/shipping document citing the repair cost, electronic filing (Electronic Export Information or EEI) using the Automated Export System (AES) is

required to comply with International Traffic in Arms Regulations (ITAR) section 123.4. This ITAR section covers the export of FMS-origin materiel returned to the U.S. for repair. In order to correctly file the EEI transaction in AES, an accurate repair cost from the DOD is needed.

(3) CBP uses the DOD documentation attached to the repaired materiel headed back to the FMS customer to maintain CBP-internal records decrementing the value of each export made against a FMS case. When the acquisition value is the only value provided on the DOD release document, CBP records decrement that value and not the (lower) repair value. This noncompliance caused diligent CBP personnel to halt further exports to a major U.S. ally due to the FMS case value being exhausted. Significant resources of the DOD, CBP and the FMS customer are required to fix the records so further exports can be allowed.

c. Requested Change in Detail:

(1) This guidance is applicable to items shipped to FMS purchases under a repair and return or a repair and replace program. Applicable shipments are identified by the Repair and Return/Replace Delivery Term Code (DTC)¹ A, B, C, E, F, G, H, J or for Air Force Repair and Replace transactions citing Service/Agency Code D and MILSTRIP document number embedded code/Utilization Code H (first position of the document number serial number).

(2) When a repaired item is shipped by the repair facility directly to the FMS customer or freight forwarder, the repair facility is responsible for displaying the repair service value on shipping documentation.

(3) When the item is stored in a DLA distribution depot, the activity responsible for directing shipment and preparation of the DLMS 940R MRO is responsible for determining the value of the repair service (estimated or actual, in accordance with program procedures) and including the repair service value in the MRO. The DLA Distribution Standard System (DSS) will recognize the inclusion of the repair service cost and perpetuate the value to the shipment document: DD 1348-1A or DD 1348-2.

(4) When shipment is directed by the Air Force, the Air Force unique release order formatted transaction (comparable to MILSTRIP A5E (MRO with exception data) provided directly to DSS located at an Air Logistics Center (via a near real time Websphere interface) will include the repair service value in trailer data for perpetuation to the shipping document.

Staffing Note: The exact placement of the repair service value is to be provided for the development of the approved change.

(5) When supply status (DLMS 870S/DIC AE_) is provided in association with a repair or repair/replace program, the repair service value will be provided in place of the unit cost for the NSN (MILSTRIP legacy rp 74-80). A new DLMS qualifier is provided for the repair service value as a DLMS enhancement.

¹ The DTC indicates how far, from the source of supply to the final destination, that the DoD is responsible to transport a shipment. Code explanations available at www.dla.mil/j-6/dlms/eApplications/LOG.NET/UI/Log_Qualifiers/lqvqcDetails.aspx?code=A3

d. DLMS Supplement Revisions: Revise the DLMS 870S and 940R as follows:

#	Location	DLMS 870S Supply Status Revision	Reason
1.	DLMS Introductory Notes	<p><u>Add Proposed Revision to PDC 1031 to DLMS Introductory Note 7:</u></p> <p>- <i>Proposed Revision to PDC 1031, Foreign Military Sales (FMS) Repair Value</i></p>	Identifies DLMS Changes included in the DLMS Supplement.
2.	2/PO104-05/150	<p><u>Add new Qualifier QT and associated DLMS notes; addition related qualifiers shown to facilitate review in text:</u></p> <p>Unit Price</p> <p>Basis of Unit Price Code Federal Note: Use to identify the correct unit price associated with the status provided. DLMS Note: 1. A field size exceeding 7 positions (5 digits dollars and 2 digits cents) may not be received or understood by the recipient's automated processing system. 2. DLMS transactions authorize an expanded unit price field size of 9 digits for dollars and 2 digits for cents. The decimal point is passed in the transaction. If conversion to MILS legacy format is required, unit prices exceeding the legacy field size constraint will not be perpetuated. Authorized DLMS migration enhancement; see introductory DLMS 3f. Refer to ADC 221A.</p> <p>ES Estimated DLMS Note: Use to indicate the estimated unit price billed when Code ST does not apply.</p> <p>ST Standard DLMS Note: Use to identify the standard unit price billed for the materiel.</p> <p>UM Price per Unit of Measure DLMS Note: 1. Use with Unit of Use Indicator (BSR11=ZZ) to identify the unit price applicable to the unit of use. 2. Authorized DLMS enhancement under DLA industrial activity support agreement. Refer to ADC 381.</p> <p>QT Quoted DLMS Note: <i>1. Use to provide the estimated or actual cost for the repair service provided for FMS items repaired/replaced under a repair and return or repair and return program. Authorized DLMS enhancement. See PDC 1031.</i> <i>2. The Repair Service Value is structured as 9 digits for dollars and 2 digits for cents. The decimal point is passed in the transaction.</i></p>	<p>The value for the unit prices is defined by a separate qualifier indicated the basis/type of unit price identified. The choice of codes for this data element is limited and does not include a price associated with repair.</p> <p>Staffing Note: Components should evaluate the need to separate the estimated from the actual cost using separate qualifiers if such a distinction is desired.</p>

#	Location	DLMS 940R Materiel Release Revision	Reason
1.	DLMS Introductory Notes	<u>Add Proposed Revision to ADC 473 to DLMS Introductory Note 7:</u> - <i>Proposed Revision to PDC 1031, Foreign Military Sales (FMS) Repair Value</i>	Identifies DLMS Changes included in the DLMS Supplement.
2.	2/AMT01/0800	<u>Add new Qualifier and associated DLMS Note:</u> RP Repair DLMS Note: <i>1. Use to provide the estimated or actual cost for the repair service provided for FMS items repaired/replaced under a repair and return or repair and return program. Authorized DLMS enhancement. See PDC 1031.</i> <i>2. The Repair Service Value is structured as 9 digits for dollars and 2 digits for cents. The decimal point is passed in the transaction.</i>	Allows the activity directing the release of materiel to provide the repair cost to the storage activity so that it can be perpetuated to the shipping documentation. Staffing Note: Components should evaluate the need to separate the estimated from the actual cost using separate

e. Revisions to DOD 4000.25 Manuals:

(1) Requires update to DLM 4000.25, DLMS, Volume 2, Chapter 4, for Security Assistance procedures associated with this change. Refer to Enclosure 2.

(2) Requires update to DLM 4000.25-1, MILSTRIP, Appendix 1.1, Forms/Message Formats (Introduction), to prescribe printing in Block 27. Refer to Enclosure 3.

(3) Requires update to DLM 4000.25-1, MILSTRIP, Appendix 3.48, Materiel Release Document DD Form 1348-1A or DD Form 1348-2 to prescribe printing in Block 27. Refer to Enclosure 4.

(4) Requires administrative correction to update references to DoD 5105.38-M, Security Assistance Management Manual (SAMM), to DSCA Manual [5105.38-M](#).

f. Proposed Transaction Flow: There are no changes to the existing transaction flows.

g. Alternatives: None identified.

5. REASON FOR CHANGE: The DOD needs to provide the repair cost for repaired FMS materiel in order for the repaired materiel to be reported correctly in the AES system and correctly decremented in CBP databases. Compliance with the FMS requirements in the ITAR is mandatory. Frustrated repaired FMS materiel impacts program execution and sustainment of FMS-purchased or provided materiel, not to mention the expenditure of DOD, CBP and FMS

customer resources to constantly reconcile the records so further defense items can be exported against the FMS case.

6. ADVANTAGES AND DISADVANTAGES:

a. Advantages: Comply with Code of Federal Regulations (CFR) (ITAR). Reduce program execution impact due to DOD documentation discrepancies. Reduce DOD resources required to constantly reconcile FMS case financial records on cases including repair services. Failure to support the required change will encourage CBP to stop any further shipments when the exportable value is exhausted on an FMS case until DOD makes the required system fix(es).

b. Disadvantages: None identified.

7. ASSUMPTIONS USED OR WILL BE USED IN THE CHANGE OR NEW DEVELOPMENT:

8. ADDITIONAL COMMENTS TO CONSIDER: In 2003, the Government Accountability Office released a report, 03-599, that recommended the Department of Defense refine processes to verify export information and ensure that only the correct value of defense articles exported on FMS cases. A follow-up report in 2009, 09-454, reiterated the need for better controls for exported items and information for oversight. This DLMS change will correct one of the longstanding GAO findings.

9. ADDITIONAL FUNCTIONAL REQUIREMENTS: The repair cost must be perpetuated to Defense Finance and Accounting Office (DFAS) for preparation of the FMS billing statement.

10. ESTIMATED TIME LINE/IMPLEMENTATION TARGET: As soon as possible/at latest - in next programmed system change.

Staffing Note: Components are requested to provide estimated implementation date with their PDC response. Prioritization should be given to communicating the repair service cost in the MRO and display on the IRRD; inclusion of the cost in the supply status may follow at a later date.

11. ESTIMATED SAVINGS/COST AVOIDANCE ASSOCIATED WITH IMPLEMENTATION OF THIS CHANGE:

a. Approximately 30,000 FMS repair transactions come from the Service per fiscal year.

b. USG cost savings would be realized by the Services, DSCA (part of OSD Policy), Customs and Border Protection (CBP) Headquarters and CBP offices at export locations. Additional savings would be realized by the FMS Purchaser's Freight Forwarder. The ultimate impact is the improved sustainment capability of FMS materiel, the result of increased shipment times for repaired.

c. The cost impact to be eliminated is the manpower cost by the Services, OSD Policy, CBP HQ and CBP ports to reconcile the CBP export records so further exports from a FMS case are authorized by CBP.

12. IMPACT:

a. New DLMS Data Elements: A new DLMS data element is established for Repair Service Value structured as a maximum of 9 digits for dollars and 2 digits for cents. The repair

service value is defined as the estimated or actual cost for the repair/replacement service provided for an FMS item returned under a repair or repair and return program. Specific guidance is provided in DoD Regulation 7000.14-R, Volume 15 Chapter 7.

b. Changes to DLMS Data Elements: None.

c. Automated Information Systems (AIS):

(1) **Distribution Standard System:** Recognize inclusion of the repair cost in the DLMS 940R or Air Force-unique A5E user defined file from direct interface.

(2) **Air Force Legacy System:** Develop procedures/internal interfaces to capture the repair cost and incorporate in outgoing release order format.

(3) **DLMS Compliant Service Systems:** Develop internal procedures/interfaces to capture the repair cost and incorporate in outgoing DLMS 940R.

d. DLA Transaction Services: Map updates to recognize the new data element.

e. Non-DLA Logistics Management Standards Publications:

(1) Recommend update to DOD 4500.9-R Defense Transportation Regulation, Part II Cargo Movement, Appendix E Foreign Military Sales.

(2) Requires update to DOD 5105.38-M, Security Assistance Management Manual, Chapter 7 Transportation.

Enclosure 1



DEFENSE SECURITY COOPERATION AGENCY
201 12TH STREET SOUTH, STE 203
ARLINGTON, VA 22202-5408

MAR 27 2012

MEMORANDUM FOR THE DEPUTY UNDER SECRETARY OF THE AIR FORCE FOR
INTERNATIONAL AFFAIRS
DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR
DEFENSE EXPORTS AND COOPERATION
DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR
INTERNATIONAL PROGRAMS
DIRECTOR, DEFENSE CONTRACT MANAGEMENT
AGENCY
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Repair Costs on Invoice/Shipping Documentation for Repaired Foreign Military
Sales (FMS) Materiel, DSCA Policy 12-17

REFERENCE: 22 CFR Part 123.4 Section (a)(5) and (d)(2), International Traffic in Arms
Regulations (ITAR)

Customs and Border Protection (CBP) has informed DSCA that repair and return invoice/shipping documentation, provided by the DoD repair facility, often reflects the materiel original acquisition value and not the repair value. This erroneous data cited on the documentation is exhausting the exportable value on the DSP-94 for the FMS case which if not corrected will lead to CBP prohibiting further exports.

In addition to the invoice/shipping document citing the repair cost, electronic filing using the Automated Export System (AES) is required to comply with ITAR section 123.4. This ITAR section covers the export of FMS-origin materiel returned to the U.S. for repair. The AES filing must be completed by the DoD shipping activity or the purchaser's freight forwarder. In order to correctly file the transaction in AES, an accurate repair cost from the DoD is needed.

DSCA requests that the Military Departments and the Defense Logistics Agency adjust the appropriate Service and/or DLA-managed processes to ensure that the repair cost is cited on the documentation issued by each repair facility for repaired FMS materiel. Please ensure you communicate this requirement to your subordinate agencies/commands and update any internal policies and procedures that are not consistent with this process to cite the repair value on the appropriate forms. We request that you keep DSCA, Strategy Directorate informed of your efforts on a quarterly basis so we can provide the appropriate assurances to CBP.

If you have any questions concerning this guidance, please contact Mr. Brion Midland, DSCA-STR/POL, brion.midland@dscamil, (703) 601-3672.

Scott R. Schless
Scott R. Schless
Principal Director
For Strategy

Enclosure 2, DLMS/MILSTRIP Manual Revision

Insert new section shown in DLM 4000.25 DLMS providing a repair and repair/replace program overview and specific guidance under this PDC. Paragraph numbering to be assigned for formal publication. Additionally, comparable guidance will be incorporated in DLM 4000.25-1, MILSTRIP, Chapter 6, Security Assistance Program, for the legacy supply status requirement.

X.X REPAIR AND REPAIR/REPLACE PROGRAM

X.X.1. General. Purchasing countries can establish FMS cases to get items repaired, most commonly at the depot level. Purchaser country repair requirements are integrated with the repair programs of the military services and are accomplished by organic military repair facilities (i.e., Army maintenance depots, Air Force logistics centers, Naval aviation depots, Naval shipyards) or by civilian contractors. There are two concepts used in obtaining repairs under the FMS repairable program:

X.X.1.1 Repair and Return. The FMS customer must request approval for repair through the ILCO from the item manager before shipping materiel to the U.S. for repair. After receiving approval and shipping instructions from the item manager the purchaser ships the materiel to the designated repair facility where it is entered into the repair queue. After repairs are completed, the item is reshipped back to the FMS customer. In the repair and return or RRR program, the cost to the country is the actual cost of the repair in accordance with DoD 7000.14-R, Financial Management Regulation (FMR), Volume 15, Chapter 7.

X.X.1.2 Repair and Replace. Under the repair and replace program, the unserviceable item is returned to the repair activity and, if it can be economically repaired or overhauled, a replacement item is issued from the U.S. Military Service's stocks. The country's unserviceable item is repaired or overhauled and returned to the U.S. military service's stocks. Under this program, countries are charged the estimated average cost of repairs (also referred to as net cost or exchange price).

XX.2. Repair Service Value. The repair service value is the cost to repair or replace an FMS-origin item returned by a FMS customer. The estimated or actual repair cost, as appropriate for the type of repair program, will be identified for use in specific business processes including status, shipment, and preparation of the subsequent billing statement by Defense Finance and Accounting Services (DFAS).

X.X.2.1. Supply Status. When supply status (DLMS 870S/DIC AE_) is provided in association with a repair or repair/replace program, the repair service cost will be provided in place of the unit cost for the NSN (MILSTRIP legacy rp 74-80).

X.X.2.2. Materiel Release Order (MRO). When the repaired or replacement item is located in a DoD storage activity, the activity directing shipment must include the repair service value on the release order (DLMS 940R) so that it can be perpetuated to the shipment documentation.

X.X.2.3. Shipment Document. The repair facility and/or the storage activity will include the estimated or actual repair service value on the shipping document. This is required for U.S. Customs export purposes. For DoD storage activities, the repair service value will be perpetuated from the MRO and will be properly identified on the DD 1348-1A/2 (see MILSTRIP Appendix 3.48).

Enclosure 3, MILSTRIP Appendix 1.1 Revision

Insert new paragraph shown providing guidance for identification of the repair service cost:

“AP1.1.6.6.2. The Issue Release/Receipt Document data elements, configuration and locations are as follows:

(Intervening text not shown.)

<u>BLOCK ELEMENT NAME</u>	<u>BLOCK SIZE/ NO. OF CHARACTERS</u>	<u>BLOCK NUMBER</u>
---------------------------	--	-------------------------

(Intervening text not shown.)

Additional Data	Variable	27
-----------------	----------	----

(Intervening text not shown.)

For FMS repair and repair/return items, include the estimated or actual value of the repair service per Appendix 3.48.¹”

¹ ***Refer to PDC 1031.***

Enclosure 4, MILSTRIP Appendix 3.48 Revision

Insert new paragraph shown providing guidance for identification of the repair service cost:

“FOR FMS SHIPMENTS”¹

(Intervening text not shown.)

“27 This block may contain additional data including bar coding for internal use. This block may contain a 2D symbol which contains information for serially tracked items and repeats bar coded data content. Data entered in this block is as required by shipping activity by commodity. When data is entered in this block, it will be clearly identified. See Appendix 1.35 for Code 39 linear bar code and PDF417 2D symbol format information. See Appendix 1.36 for the Block 27 continuation page requirements.

USML Items – This block will contain clear-text information to identify shipments of United States Munitions List (USML) items which may require filing of export licenses and Shipper Export Declarations (SED) per 22CFR126.4 and 22CFR123.22 as follows: “USML item—may need SED.”

For FMS Repair and Repair/Return Items – Include the estimated or actual value for the repair service; perpetuate from the release order when provided. This block will contain the following statement: “Repair value of \$XXX.XX is provided for United States Customs export purposes.”²

¹ Requirement to add bar-coded Foreign Military Sales data to the Issue Release/Receipt Document last reported as not implemented by United States Marine Corp (USMC). Refer to AMCL 8.

² ***Refer to PDC 1031.***