SECTION 4: SWELL ALLOWANCE

4.1. SWELL ALLOWANCE PROGRAM. This program is designed to reduce the number of unsalable VCMs written at the commissaries. Unsalable products are products which are no longer fit for sale, e.g., outdated merchandise, leaky containers, etc.

a. DeCA's swell allowance program eliminates most brand name resale VCMs written for unsalable products. Only those vendors that have previously written VCMs to DeCA for unsalables are asked to participate in this program. By doing so, the manufacturer agrees to convert dollars of VCMs into a mutually agreed upon percentage that will automatically be deducted from each delivery ticket invoice (DTI) payment. Products received as DSD items (generally items such as bread, chips, and sodas) are not part of this program. The swell allowance program is not part of DeCA's price recoup (1%) program which is used to cover unidentifiable losses such as theft and breakage by patrons and is not collectable from DeCA vendors.

b. The swell allowance program frees up both store personnel and Industry partners by automating what is currently a labor-intensive, manual process. This change permits both parties to concentrate their valuable time to better serve our patrons, operate the store more efficiently and effectively, and ultimately increase sales. This program has significantly reduced the annual requirement by participating companies to process unsalable VCMs at all commissaries and DeCA's accounting offices.

c. Items not covered under the swell program are:

(1) Manufacturer and DeCA deletes.

(2) Guaranteed sales such as holiday items that do not sell and are not unsalable; items that do not sell within a specific period of time, such as holiday or seasonal items; or regular and promotional items that are under a specific buy-back agreement.

(3) Report of Discrepancy (ROD).

(4) Promotions/truckload sale items.

(5) All food activities (ALFOODACT)/voluntary recalls.

(6) Price reductions – items voluntarily marked down by the vendor in order to promote the sale of products or short dated/distressed items reduced for quick sale.

(7) Direct Store Deliveries.

(8) Returned merchandise – products in good condition voluntarily returned to the vendor at their request and/or items donated by a vendor to other qualified organizations.

(9) Distributor shortages, damages, mis-picks, etc.

(10) Products for demonstrations.

(11) Commercial activities contractor damages.

4.2. SWELL ALLOWANCE PROCEDURES.

a. The vendor will meet with DeCA's swell allowance program manager and propose a percentage for the swell allowance based on their research of monies paid for VCMs on unsalable products over a minimum of 1 year.

b. The swell allowance program manager either agrees with the percentage based on DeCA's VCM history over the same time period or negotiates with the vendor for an acceptable percentage. The percentage may be the same as determined by DeCA or the proposed percentage may be higher. The percentage accepted cannot be below DeCA's VCM historical percentage unless there is documented proof of a change in the products carried, i.e., line of products has been dropped from the contract.

c. Once the swell percentage is agreed upon by the vendor and the swell allowance program manager, a modification will be made to the appropriate contract. The percentage to be deducted from each payment will be effective on the 1st or 16th of the month agreed upon. The program manager will send each Area Director an updated vendor list as new vendors are added to the swell program.

d. Each store stocking items on the swell program receives a monthly credit from each vendor. Example: Company A and DeCA agree to a 3.25% for a specific contract/vendor number. Store Z had $5,600 in product delivered in May for that contract. Store Z will be automatically credited $182 for May. The credit is applied even if the store had zero dollars in salvage during that month.

e. Monthly reports are generated via Standard Automated Voucher Examination System/Accounting and Inventory Management System (SAVES/AIMS) for the actual dollar amounts credited back to the store as a result of the swell allowance deductions.

4.3. PROCEDURES FOR MONITORING THE SWELL ALLOWANCE.

a. Print a current copy of the vendors participating in the swell program. The list of participating vendors is located On SharePoint/DeCA Public Documents/Swell Allowance Program. The list has the vendor name, vendor number, and contract number.

b. Print a copy of each vendor contract applicable to this program. Many vendors have more than one contract in place and may not have activated all contracts on the swell allowance program.

c. Place a copy of each vendor's active contract on the swell allowance program in a folder accessible by store personnel processing salvage. This folder will assist in eliminating guess work regarding which items are covered under the swell allowance program.

d. Print the current inventory adjustment for your commissary. The adjusted inventory amount is accessible on SharePoint/DeCA Public Documents/Swell Allowance Program.

e. Compare the swell dollar amount to the 82E entry on the VRGC. If there are any differences, contact the swell allowance program manager.