

C2. CHAPTER 2

DLMS BILLING

C2.1. CRITERIA FOR BILLING

C2.1.1. Shipments from Stock

C2.1.2. Billing. Shipments from stock may be billed 7 calendar days after the materiel is dropped from inventory, provided notification of warehouse refusal or other advice of nonavailability is not received. Exceptions are as follows:

C2.1.2.1. Foreign Sales. Billings for foreign military sales (FMS) and other security assistance shipments may be billed after constructive delivery.

C2.1.2.2. Petroleum, Oil, and Lubricants (POL). Billings for bulk POL shipments may be billed after notification of receipt or 15 calendar days after the date of shipment or issue, whichever occurs first.

C2.1.2.3. Perishable Subsistence. Billings for perishable subsistence chill and freeze items may be billed after the items have been dropped from inventory. Billings for fresh fruits and vegetables may be billed after an issue transaction is received from a Defense Subsistence Office.

C2.1.2.4. Draw Downs

C2.1.2.4.1. *Materiel requisitioned under authority of Section 506 of the Foreign Assistance Act* that is, when the FMS/*Grant Aid (GA)* type of assistance code is C, may not be billed until funds are appropriated. Although Section 506 does not provide obligation or disbursing authority it does permit the draw down of existing DoD stocks subject to an appropriation to be made at a later date. Since there is no assurance that defense accounts will be reimbursed, the transfers cannot be recorded as accounts receivable. Therefore, issues under Section 506 will be treated as transfers without reimbursement. The transfer without reimbursement will be reversed when appropriations are received to reimburse the DoD account for the transfer. Section 506 draw downs of General Services Administration (GSA) or other non-DoD stocks are not authorized.¹

¹Section 552 of the Security Assistance Act the President may "direct the draw down" of commodities and services from the inventory and resources of any agency of the United States Government. Under DLMS, except for the use of DoD (Section 506) or any agency (Section 552) assets, draw downs under both sections are identified and treated similarly.

C2.1.2.4.2. All requests for Working capital Fund activities (to include transportation), shall include a funding source, allowing DWCF activities to be reimbursed by the military departments without delay. Orders will not be accepted without a funding source. [DoD 7000.14-R](#), Vol. 12, paragraph 230502 and Vol. 11B, paragraph 110106.A.)

C2.1.3. Direct Deliveries of Materiel from Contractors. Materiel shipped directly to customers from DoD vendors may be billed after the customers confirm they have received the materiel or the vendor confirms it has shipped the materiel, whichever occurs first.

C2.1.4. Other. Adjustments and credits will be billed within 30 calendar days of the transaction or letter committing the organization to providing the adjustment.

C2.2. PREPARATION OF DLMS BILLS

C2.2.1. General

C2.2.1.1. Use of DS 810L. Billing offices will prepare DLMS bills using DS to Federal IC 810L, Logistics Bill (http://www.dla.mil/j-6/dlms/eLibrary/TransFormats/140_997.asp).

C2.2.1.2. Use of Interfund. If the DLMS bill is paid under interfund procedures, the billing office will report the collection to its servicing finance center on its seller interfund report. A separate interfund DLMS bill will be prepared for billings applicable to a bill-to DoD Activity Address Code (DoDAAC) and treasury symbol.

C2.2.1.3. Submission Timeframe. Billing offices will transmit DLMS bills to customers within 14 calendar days of the billing eligibility criteria provided in Section C2.1. Separate billing lines will be prepared for each shipment or delivery and for each accessorial charge supporting the DLMS bill. Refer to Chapter 4 for additional information on interfund reporting procedures.

C2.2.2. Method of Billing

C2.2.2.1. Ordering/Reimbursement. Ordering activities will generally authorize providers of goods and related services to use the interfund method of reimbursement for orders processed under DLMS procedures. Notwithstanding the general rule, on a case-by-case basis, a DoD activity may exercise its right to request a noninterfund invoice.

C2.2.2.2. Noninterfund Reimbursement. A noninterfund method of reimbursement must be used when the bill-to party is either a non-DoD activity or a DoD contractor.

C2.2.3. Determining Bill-To Parties

C2.2.3.1. Billed Party. Ordering activities shall identify a billed party DoDAAC for all requisitions or other orders, including nonreimbursable orders.

C2.2.3.2. Rejection. Item managers or other providers of goods and services shall reject requisitions or other orders when a valid billed party is not identified. Billing offices will designate the ordering or submitting activity as the bill-to party if, for whatever reason, they are unable to identify a valid billed party. The Service security assistance control office shall be designated as the bill-to party for unidentifiable security assistance requisitions. The Service control offices are: Army- W25P02, Navy- N65916, and Air Force- FA2303.

C2.2.4. Nonreimbursable Invoices

C2.2.4.1. GSA Billings. Except for GSA billings of less than \$1, materiel issued under nonreimbursable procedures shall be included on invoices as no-charge billing lines.

C2.2.4.2. Waivers. DoD **7000.14-R, Volume 6** provides that if the amount of billings for any one customer is less than \$500 at the end of a fiscal year quarter, the billing may be waived. However, working capital and Corps of Engineers civil works funds may not waive reimbursement of any amount.

C2.2.4.3. Processing without Billing. GSA sometimes, at its discretion, processes requisitions of \$1 or less without billing. Therefore, any DoD Component having such items unbilled 60 calendar days after receipt of materiel may assume that they will not be billed and cancel the obligation accordingly.

C2.3. DLMS INTERFUND BILLS. Activities will normally authorize providers of goods and services to use interfund reimbursement procedures. All DLMS interfund bills shall be forwarded to **DLA Transaction Services** within 3 calendar days of the date the related seller interfund report is forwarded to the finance center. The **Defense Logistics Agency Transaction Services (DLA Transaction Services)** will route invoices to all parties identified in the invoice.

C2.4. DLMS NONINTERFUND BILLING. When an activity does not authorize the use of interfund reimbursement procedures, DoD providers of goods and services shall use no check reimbursement methods for DoD activities. All DLMS noninterfund bills shall be forwarded to **DLA Transaction Services** for further routing to all parties identified in the DLMS bill. When an activity is unable to use electronic data interchange (EDI) methods; that is, the DLMS bill, they may use the [SF 1080](#), "Voucher for Transfers between Appropriations and/or Funds," or other form approved by the Treasury Department, such as [GSA Form 789](#), "Statement, Voucher, and Schedule of Withdrawals and Credits," as the billing document for noninterfund bills.

C2.5. RETAIL LOSS ALLOWANCE. DoD 7000.14-R, volume IIB, requires the Defense Business Operations Fund (DBOF) to grant a discount for retail losses to retail stock funds based upon net issues after authorized credits or offsets have been applied. These discounts are to provide funds for losses experienced at the retail stock fund level. Retail loss discounts shall not be granted for sales to commissaries and customers of retail or installation level stock fund activities. However, retail loss discounts are authorized for all military clothing items sold to Military Exchanges.

C2.6. INTO-PLANE

C2.6.1. Applicability. These procedures apply to DoD into-plane issues (sales) of fuels to DoD aircraft except when other billing procedures are specified by the terms of an inter-Service support agreement.

C2.6.2. Reimbursable Issues. Reimbursable issues (sales) of fuel into DoD planes by DoD activities shall be billed at the standard price in effect at the time of issue.

C2.6.3. Contractor Fuel Issues. Contractor into-plane fuel issues shall be billed at the standard price applicable to each such issue.

C2.6.4. DBOF Billing. DBOF Billing offices funded by the DBOF will grant credit for DoD aircraft defueling based on supply defueling slips at DBOF prices.

C2.6.5. Credits. Credits shall be given for contractor into-plane defueling of DoD aircraft based on a defueling slip at the standard price given for each defueling.

C2.7. AUTOMOTIVE VEHICLES. GSA is authorized to use the interfund billing system to invoice DoD activities for automotive vehicles purchased under a category one (reimbursable) MIPR. DoD activities submitting Military Interdepartmental Procurement Requests (MIPRs) must do so in accordance with paragraph 8.7008 of the DoD Supplement to the Federal Acquisition Regulation which requires activities to provide DLMS requisition data for each line-item which is to be delivered to each ship-to address.

C2.8. OPTIONAL BILLING PROCEDURE: FRESH FRUITS AND VEGETABLES (FF&V)

C2.8.1. Summarizing Defense Logistics Agency (DLA) Billing. DoD Components and participating Agencies may elect to have DLA's Defense Personnel Support Center summarize billings for fresh fruit and vegetables (FF&V). The option is available on a DoD Component or Agency-wide basis only. Currently, only the Air Force has elected this billing option.

C2.8.2. Optional FF&V. Under the optional FF&V billing procedure, DLA will summarize onto a single billing line all FF&V issues to a Service or Agency. The billings

will be summarized by requisition month and fiscal year. These summarized billings will be forwarded to a predesignated central office in that DoD Component. DLA shall provide supporting detail issue data on request.

C2.9. BILLING FOR ACCESSORIAL AND ADMINISTRATIVE COSTS

C2.9.1. Purpose. Accessorial and administrative costs may be invoiced using either interfund or noninterfund reimbursement methods. However, in all cases, billing shall be accomplished in the same manner as the materiel. DoD **7000-14-R, Volume 6**, provides the DoD policy for billing accessorial and administrative costs.

C2.9.2. Normal Charges. Unless otherwise indicated on ordering documents or transactions, accessorial costs incurred for supply items requisitioned by DoD activities shall be charged to the same funds as the materiel.

C2.10. HAZARDOUS MATERIEL AND WASTE BILLINGS. Users of DLA's hazardous materiel and waste disposal services shall provide DLA with a disposal turn-in document ([DD Form 1348-1A](#), "**Issue Releases/Receipt Document**," or [1348-2](#), "**Issue Release/Receipt Document with Address Label**") as prescribed by **DLM 4000.25**. Since these services are provided on a reimbursable basis, the order will be funded in accordance with the standards prescribed by DoD 7000.14-R. The order will generally authorize DLA to use the interfund billing system to reimburse themselves for these services.

C2.11. BILLING FOR PROGRESS AND ADVANCE PAYMENTS

C2.11.1. Progress Billings

C2.11.1.1. Purpose. Progress payments may be billed via interfund whenever the order received from the customer specifies that progress billings via interfund are authorized. Documentation of the agreement by the customer to allow progress billing via interfund may be used in lieu of a specific provision on each order.

C2.11.1.2. Billing Basis. Billings made for progress payments will be based upon documentary evidence of satisfactory performance and shall not exceed the amount of the customer order.

C2.11.1.3. Offsets. The billing office shall offset billing lines for deliveries against all outstanding progress billings related to those deliveries. Billing lines shall be reported for both the sales price of the shipment and the amount of the progress billing being liquidated. The billing method elected for the progress payment will also be the method used to invoice for the delivery.

C2.11.1.4. Multiple Progress Billings. Although multiple progress billings may have been submitted against an order, a single recoupment billing may be reported for the total amount of the progress billings.

C2.11.2. Advance Billings

C2.11.2.1. Applicability. Advance billings may not be billed via interfund. When authorized, advance funding will be satisfied via noninterfund and by the use of appropriation level, rather than project or order level, advances.

C2.11.2.2. Application of Advances. Advances received must be returned or applied to accounts receivable before the end of the fiscal year.

C2.12. CORRECTION OF ERRONEOUS BILLINGS

C2.12.1. Billing Forwarded To Customer. When a billing office finds it has issued an invoice containing one or more erroneous billing lines it shall correct the erroneous billing line in a later invoice. Normally, billing offices are expected to reverse and reissue only the erroneous billing line, not the entire invoice. The corrections shall be processed as soon as it is practical and shall not await customer requests for adjustments.

C2.12.2. Billing Not Forwarded to Customer. When **DLA Transaction Services** rejects an interfund invoice the billing office shall reverse the interfund collection in its next seller interfund report.

C2.13. CANCELLATIONS. When a provider accepts a customer's request to cancel a requisition or other order, any billings generated for that requisition shall be reversed in the next billing cycle. When the cancellation involves diverting materiel back to stock, the billing shall be reversed upon receipt of the materiel. Any charges related to the cancellation, such as contract termination costs, will be billed under noninterfund procedures.

C2.14. RETENTION OF BILLING RECORDS. Billing offices must have accessibility to security assistance billing records for 2 years and other bills for 1 year after the billing month. Billing records include not only a copy of the bill but records supporting the bill as well. However, adjustment processing activities shall retain accessibility to billing records for whatever time period is required to enable them to process adjustments for requests or validated discrepancy reports when the request or report leading to the adjustment is received within prescribed timeframes.

C2.15. ARMY EXCHANGE PRICING PROCESS

C2.15.1. *The Army approach to the Exchange Pricing (EP) interim approach is a multi-system functionality implementation. EP employs a dual pricing system for a repairable National Stock Numbered items based upon Standard Price (latest acquisition cost plus recovery rate) and EP (latest repair cost plus cost recovery rate) and a “buy one – return one” relationship with the customer. That is, a qualified exchange pricing customer buys at the EP and pays a*

penalty if a reparable is not turned-in within a specified period of time from the issue date. This process is applicable to the Army customers and Army-managed materiel only; other Services will continue to pay Standard Price and receive 65% credit exchange upon receipt of carcass by the Army PICA.

C2.15.2. Once an item of supply is identified for a national repair program and the National Item Identification Number has an established Exchange Price, all requisitions for the items will be priced at the Exchange Price if the customer is an authorized EP customer.

C2.15.3. When a requisition submitted to the Supply Support Activity (SSA) is processed by the Standard Army Retail Supply System (SARSS), SARSS will determine if both the customer DoDAAC is and EP customer, and the NIIN has an established EP indicator. As this transaction is processed through the Army supply system, middleware, Funds Control Module (including EP Tracking) Defense Automatic Addressing System (DAAS), Commodity Control Supply System (CCSS), and Army Logistics Modernization Program (LMP), the EP indicator will be used to identify the transaction as EP related. All the legacy systems will continue processing the MILS transactions, LMP will process Defense Logistics Management System (DLMS) transactions that are converted by DLA Transaction Services.

C2.15.4. All related supply transactions prepared by the Army will carry and perpetuate the EP Indicator. As a result of the EP implementation the following transactions will be impacted: Requisition; Requisition Modifier; Requisition Follow-up; Materiel Release Order; and Supply Status. The returns process will also process EP related transactions. The Materiel Receipt transaction will be generated by SARSS for all returns of EP NIINs, and will include an EP Type of Credit indicator for Unserviceable credit when applicable, as well as an EP Conversion Indicator to identify the need to provide credit according to the pre-EP credit policy, which will last for 60 calendar days following the implementation of EP.

C2.15.5. If the return is in an un-repairable condition code or the item is not returned within the established timeframe (Delta Delay Days), the National Level systems (LMP, CCSS) will create an obligation adjustment based on the receipt from Middleware Funds Control Module of a Materiel Returns Supply Status (Delta Bill Trigger) transaction. As a result of processing the delta bill trigger the national systems will create the logistics/interfund bill transaction with an EP Indicator and Type Bill code to identify the specific type of EP bill to the Army financial system.

C2.16. NAVY EXCHANGE PRICING PROCESS.

C2.16.1. Navy uses a two-tier pricing system for selling Depot Level Repairable material to Navy customers. The Navy sells DLRs to other Services at

full (standard) price and then provides carcass value credit when the carcass is returned. This is the same method the Air Force and Army use when selling repairable items to the Navy. The Standard Price is the price representing the full value of the DLR item, and is price charged when a Not Ready For Issue (NRFI) unit (also referred to as a 'Carcass') is not turned in. The Net Price (also referred to as Exchange Price) is the price that represents the cost of repairing a DLR item, and is the price charged to customers when a NRFI unit has been or will be turned in. Navy customers indicate on their requisitions whether or not a NRFI unit is available for turn in via the Advice Code, and they are then charged Net or Standard Price accordingly.

C2.16.2. Requisitions received indicating that a carcass will be returned are tracked in the Navy's Carcass Tracking System. This system monitors these requisitions and matches them with carcass returns as they occur. This system also generates follow ups to customers who have not returned their carcasses as promised. Ultimately, the system will trigger an additional charge to the customer if the carcass is not returned. Navy uses the term Carcass Charge for this additional billing which represents the value between Standard Price and Net (Exchange) Price. This additional billing is also referred to as a Delta Bill. If the customer returns the carcass after receiving the Carcass (Delta) Bill, then the additional billing is reversed, resulting in a Carcass Charge Reversal (Credit Delta Bill). Navy customers may also return excess DLRs for credit. The credit can be Standard, Net or Carcass value.

C2.16.3. Under Defense Logistics Standard Systems (DLSS)/MILSBILLS billing, the Navy ICP's use the Sales Price Condition Code to indicate to customers that a particular bill is either Net (Exchange) Price or Carcass (Delta) Price. Once operational, Navy's ERP will replace the Navy ICP's DLSS/Military Standard Billing System (MILSBILLS) billing system with a DLMS based system. Since DLMS does not utilize a Sales Price Condition Code, Navy will use a combination of Stock Exchange Code and Type of Bill Code to indicate on the bill that the price charged is either Standard, Net or Carcass price. The Defense Automated Address System (DAAS) will convert Navy DLMS bills back to DLSS/MILSBILLS format for any Navy customers unable to accept DLMS formats.

C2.17. INCLUSION OF TRANSPORTATION CONTROL NUMBERS (TCN) ON DLMS LOGISTICS BILLS. *Suppliers may bill on partial shipments with identical quantities under the same document number, which makes the bills appear as duplicates. Including the TCN on the DLMS Logistics Bill will resolve that problem. Partial shipment codes are part of the TCN structure in accordance with [DTR 4500.9-R](#). Accordingly, reporting activities shall include the TCN in DLMS Logistics Bill transactions. This is a DLMS enhancement, which may be implemented without prior authorization.*

C2.17. MATERIEL BILLING AND CREDIT AMOUNTS

C2.17.1. Materiel Returns to DLA from Industrial Sites under Base Realignment and Closure (BRAC) Retail Supply, Storage and Distribution (SS&D)/Inventory Management and Stock Positioning (IMSP), and National Inventory Management Strategy (NIMS) Sites². A variation of the MRP Program is used for processing materiel returns to DLA from selected sites in support of the BRAC SS&D/IMSP and NIMS. Standard MRP DLMS/MILSTRIP transactions do not apply. No credit for packing, crating, handling, or transportation shall be provided.

C2.17.1.1. Industrial Sites. DLA-managed materiel returned to an industrial customer at BRAC industrial sites will be accepted into DLA inventory regardless of DLA materiel corresponding to a sale to Service maintenance (identified by DoDAAC series/internal customer group) for the same materiel and condition which was completed within the 60 day period prior to the date on the return. Credit shall be processed at the full selling price of the item on the original order(s) used as reference, up to 100% credit for a return quantity less than or equal to the quantity on the order(s) used as reference. DLMS/MILSBILLS Billing for Issue from Stock (810L/DI FA2) shall be used to provide credit under modified business rules. Credit for any quantity returned over the original amount, in a different condition code than the original sale, or unmatched is subject to DLA ICP stock position using business rules equivalent to the MRP for determining whether to provide credit/credit amount contained in DoD 4140.01-M. The Service's financial system will be notified of any resulting credit via a DLMS/MILSBILLS Materiel Returns Program Credit (810I/DI FD2).

C2.17.1.2. NIMS Sites. Credit for materiel returns from a NIMS site customer will be processed based upon the return receipt. The DLA ICP shall process the receipt and determine if a sale has occurred for the same materiel, condition code, and customer within a 60 day time frame reflecting the exact same document number as the receipt (return) document. If there is an exact matching sale, the customer shall receive credit equal to the original sale. Credit for any quantity returned over the original amount, in a different condition code than the original sale, or unmatched is subject to DLA ICP stock position using business rules equivalent to the MRP for determining whether to provide credit/credit amount. The Service's financial system will be notified of any resulting credit via a DLMS/MILSBILLS Materiel Returns Program Credit (810L/DI FD2).

C2.17.2. Reserved

² DLA is required to request approval of new procedures supporting BRAC/NIMS allowing full materiel credit for returns regardless of asset position with no credit for PCH&T.

C3. CHAPTER 3

PROCESSING AND PAYMENT OF DLMS BILLS

C3.1. PAYMENT OF NONINTERFUND BILLS

C3.1.1. Criteria. Bills are due upon receipt and shall be paid in full and promptly; that is, within 30 calendar days of the bill date. The following exceptions apply:

C3.1.1.1. Bills for issues to North Atlantic Treaty Organization (NATO) (Supreme Allied Powers Europe (SHAPE)) (identified by billed office DoDAAC WM1Q7K) are due 120 calendar days after the billed date.

C3.1.1.2. Bills for issues to United Nations Peacekeeping Forces are due 120 calendar days after the billed date.

C3.1.2. Disbursing. When both the appropriations to be reimbursed and disbursed are within the Department of Defense, bills may be paid by cross disbursing (no check) procedures. Payments involving non-DoD appropriations or to non-DoD activities will be paid by check. All payments for noninterfund bills shall include either the identification (bill or statement number) of the bill, or a copy of the bill.

C3.2. PROCESSING INTERFUND BILLS. Interfund bills are notices of disbursement of billed office funds by the billing office. Accordingly, billed offices shall take prompt action to suspend, correct, or accept the disbursement. These actions shall be accomplished as prescribed in the appropriate DoD Component interfund reporting and clearance procedure.

C3.3. ADJUSTMENTS. Billed offices shall review all charges to ensure that items billed were ordered and that obligations are adjusted when appropriate. All credits shall be reviewed to ensure that they are warranted and correct. Billed offices will request adjustments for erroneous charges or credits in accordance with Chapter 4.