



DEFENSE LOGISTICS MANAGEMENT SYSTEM
(DLMS)

VOLUME 5

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C1. CHAPTER 1

INTRODUCTION

C1.1. GENERAL

C1.1.1. **Purpose.** This volume provides DoD standard procedures and identifies the Defense Logistics Management System (DLMS) Supplements (DS) to Federal Implementation Conventions (ICs) for American National Standards Institute (ANSI) Accredited Standards Committee (ASC) X12 transactions used for billing and related adjustments for sales of material and related services. All DSs to Federal ICs **are listed in** volume 1, appendix 6, **and can be accessed** at : http://www.dla.mil/j-6/dlms/eLibrary/TransFormats/x12_140_650.asp

C1.2.1. **Use of This Manual.** Use of this volume requires simultaneous access to volume 1. Volume 1 contains the full table of contents for the manual; the only listings of acronyms and abbreviations, definitions, and references for the manual; instructions for acquiring access to the DLMS standards data base; specific guidance that applies to all implementation conventions; and both functional and technical information that is relatively stable and applies to the DLMS as a whole.

C1.2. **POLICY.** DoD Instruction 7420.12 and DoD 7000.14-R provide the DoD policies governing procedures in this volume.

C1.3. **APPLICABILITY.** This volume applies to the Office of the Secretary of Defense, Military Departments, Joint Staff, Unified and Specified Commands, Defense Agencies, and Defense Organizations (hereafter referred to collectively as "DoD Components") and, by agreement, to other organizations participating in the DLMS.

C1.4. **FINANCE PROCESS REVIEW COMMITTEE (PRC).** The Finance PRC is the forum through which the DoD Components and other participating organizations may participate in the development, expansion, improvement, maintenance, and administration of the Interfund Billing System and other financial requirements for the DLMS. The Chairman, Finance PRC, in coordination with other Finance PRC members, is responsible for the contents of this volume of the DLMS. Members of the Finance PRC are identified in appendix 1. The identification of their Finance PRC representatives, as well as other PRC related information, may be found on the Finance PRC web page <http://www.dla.mil/j-6/dlms/Programs/Committees/Finance/financeprc.asp> . Refer to volume 1, chapter 1 for a discussion of general DLMS PRC functions and responsibilities.

C1.5. **NONCOMPLIANCE.** If reasonable attempts to obtain compliance with prescribed procedures or resolution of DLMS Finance related problems are unsatisfactory, the activity having the problem will request assistance from their DLMS Finance PRC

representative. The request will include information and copies of all correspondence pertinent to the problem; including the document number, the number and date of the DLMS bill, and billing office. The representative will take the necessary actions to resolve the issue or problem. The actions may include requesting assistance from the chairman.

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 days after the material 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 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. **Military Assistance Program (MAP)**. MAP sales requisitioned under authority of Section 506 of the Foreign Assistance Act; that is, when the FMS/MAP 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 Department of Defense (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.

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

C2.1.4. Other. Adjustments and credits will be billed within 30 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 Federal IC 810L, Logistics Bill² (<http://www.dla.mil/j-6/dlms/eLibrary/TransFormats/formats.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 days of the billing eligibility criteria provided in 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 will identify a billed party DoDAAC for all requisitions or other orders, including nonreimbursable orders.

² All DLMS Supplements to Federal ICs may be found in volume 1, appendix 6.

C2.2.3.2. Rejection. Item managers or other providers of goods and services will 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 will 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, material issued under nonreimbursable procedures will be included on invoices as no-charge billing lines.

C2.2.4.2. Waivers. DoD 7220.9-M 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 days after receipt of material 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 will be forwarded to DAASC within 3 days of the date the related seller interfund report is forwarded to the finance center. The Defense Automatic Addressing System Center (DAASC) 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 will use no check reimbursement methods for DoD activities. All DLMS noninterfund bills will be forwarded to DAASC 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 will be billed at the standard price in effect at the time of issue.

C2.6.3. Contractor Fuel Issues. Contractor into-plane fuel issues will 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 will 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 Service or Agency. DLA will 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 will be accomplished in the same manner as the material. DoD 7220.9-M, 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 will be charged to the same funds as the material.

C2.10. HAZARDOUS MATERIAL AND WASTE BILLINGS. Users of DLA's hazardous material and waste disposal services will provide DLA with a disposal turn-in document (DD Form 1348-1A or 1348-2) as prescribed by DoD 4000.25-M. 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 will not exceed the amount of the customer order.

C2.11.1.3. Offsets. The billing office will offset billing lines for deliveries against all outstanding progress billings related to those deliveries. Billing lines will 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 will correct the erroneous billing line in a subsequent invoice. Normally, billing offices are expected to reverse and reissue only the erroneous billing line, not the entire invoice. The corrections will be processed as soon as it is practical and will not await customer requests for adjustments.

C2.12.2. Billing Not Forwarded to Customer. When DAASC rejects an interfund invoice the billing office will 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 will be reversed in the next billing cycle. When the cancellation involves diverting material back to stock, the billing will be reversed upon receipt of the material. 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 will 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.

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 DoD, bills may be paid by cross disbursing (no check) procedures. Payments involving non-DoD appropriations or to non-DoD activities will be by check. All payments for noninterfund bills will 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 will take prompt action to suspend, correct, or accept the disbursement. These actions will be accomplished as prescribed in the appropriate Service or Agency interfund reporting and clearance procedure.

C3.3. ADJUSTMENTS. Billed offices will review all charges to ensure that items billed were ordered and that obligations are adjusted when appropriate. All credits will 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.

C4. CHAPTER 4

DLMS BILLING ADJUSTMENTS

C4.1. REQUESTING ADJUSTMENTS. Offices desiring adjustment of DLMS billings will request adjustment of these bills using the DS to Federal IC 812R, Adjustment Request¹. The DS will also be used to cancel or follow-up on adjustment requests.

C4.1.1. Submission

C4.1.1.1. Adjustment. All requests for adjustments will be forwarded to the billing office except as noted in this section.

C4.1.1.2. Copies of Interfund Bills. Requests for copies of interfund bills will be forwarded to the DAASC if the DAASC record retention period has not expired. See chapter 6 for DAASC record retention requirements.

C4.1.1.3. Requests For Adjustment. Requests for adjustments of GSA billings will be forwarded to the GSA Customer Service Center DoDAAC "470000").

C4.1.2. Timeframes. All requests for adjustments should be submitted within 30 calendar days of receipt of the billing. Initial requests for adjustment received after the record retention period for billing records may be denied. When a discrepancy report or adjustment request is received within prescribed timeframes, nonavailability of records, or the passing of the record by the time the report is validated, or the request is processed, may not be used as a basis for denying the adjustment.

C4.1.3. Minimum Value

C4.1.3.1. Adjustment for Billing Errors. In general, no request for adjustment will be submitted for billing errors when the amount of the error is \$250 or less. As an exception to the general rule, no request for adjustment will be submitted for billing errors when the amount of the error is \$100 or less and the billing office is GSA or the materiel involved is a subsistence item.

C4.1.3.2. Adjustment Types. There is no minimum value for (a) requesting status on an anticipated or required billing, (b) requesting a corrected bill when the bill received is incomplete, (c) requesting a copy of a bill, (d) requesting a change in the type of billing (interfund to noninterfund and noninterfund to interfund), or (e) requesting adjustments for validated discrepancy reports.

¹ All DLMS Supplements to Federal ICs may be found in volume 1, appendix 6.

C4.1.3.3. FMS Billing Errors. There is no minimum value for adjustment of FMS billing errors. However, adjustment requests for foreign military sales (FMS) shipments may not be submitted when the request can be rejected per the general conditions of the U.S. Department of Defense Offer and Acceptance.

C4.2. CANCELING OR AMENDING REQUESTS FOR ADJUSTMENT

C4.2.1. Canceling Requests. Submitting offices may cancel requests for adjustments whenever the request is no longer valid or appropriate and the billing office has not provided a final reply to the request.

C4.2.2. Amendments. Requests for adjustments may be amended by canceling the original request and submitting a new request.

C4.3. FOLLOW-UP ON UNANSWERED REQUESTS FOR ADJUSTMENT

C4.3.1. Adjustment Requests. Except for follow-ups to DAASC, offices submitting adjustment requests will follow-up on requests for adjustments remaining unanswered for more than 45 calendar days after submission. If the request for adjustment remains unanswered for more than 30 calendar days after follow-up, submitting offices will forward a second and final follow-up by letter or message to the billing office. In addition to providing the billing office with the information required to process the request, the final follow-up will also identify the dates of initial and follow-up request.

C4.3.2. Copies of Bills. Follow-up to DAASC for copies of bills, if needed, will be by letter or message. Follow-up to DAASC may begin 7 calendar days after the request is submitted.

C4.3.3. Credit Follow-Up. Offices designated to receive Material Release Program (MRP) credit will initially follow-up on the credit due when the credit has not been received and more than 60 calendar days have elapsed since the creditable status was received. A second follow-up will be submitted if a reply or credit is not received within 60 calendar days of the initial follow-up.

C4.4. REPLYING TO REQUESTS FOR ADJUSTMENT OR MRP CREDIT

C4.4.1. Processing Adjustments. Billing or adjustment processing offices will reply to adjustment requests using DS 812L, Adjustment Request Reply. The DLMS Supplement will also be used to reply to follow-up requests.

C4.4.2. Responding to Requests. Billing offices will respond to all requests for adjustment within 30 calendar days of the date the request is received. Billing offices will respond to follow-up requests for adjustment within 21 calendar days of the date the request is submitted. All adjustment replies will include an appropriate coded reply.

C4.4.3. Response to Requesting Offices. All responses to adjustment requests will be forwarded to the office submitting the request and parties identified to receive status. Adjustments will be forwarded to the office originally billed.

C4.5. ADJUSTMENT AMOUNT. In general, adjustments, when warranted, will be at the price originally billed. Adjustments for validated product quality deficiency reports (PQDRs) will be processed at the current standard price when the original price billed cannot be determined. Adjustments for MRP credits will be at the current acquisition price or at a reduced price if, in the opinion of the IMM, the condition warrants such reduction.

C4.6. UNSATISFACTORY BILL PROCEDURES. An unsatisfactory DLMS bill is a bill which cannot be processed. For example, the total amount is not fully supported by billing details or the bill does not include essential information required by DLMS billing implementation conventions. Bill-to parties will use the TS 997 IC, Functional Acknowledgment, to reject improper bills back to the billing office. See volume 1, chapter 6, and DLMS appendix 6 for the IC for the Functional Acknowledgment transaction set.

C4.7. BILLING STATUS PROCEDURES

C4.7.1. Obtaining Bill Status. When requisitioned material is received, intended billed offices must use DS 812R, Adjustment Request, to seek the status of the bill. When material was not ordered, or if ordered, not received, discrepancy report procedures apply. See volume 2 and DLAR 4500.15, et.al., for discrepancy report procedures.

C4.7.2. Shipment Bill Status. When shipment status is received for requisitioned material and the material can be billed only upon evidence of constructive delivery, intended billed offices must use DS 812R, Adjustment Request, to seek the status of the bill. Billing offices may generate the required billing when properly completed requests are received and a billing is awaiting evidence of constructive delivery. Billing offices will also initiate appropriate actions with their supply office to identify and resolve problems underlying this condition.

C4.7.3. Timeframe. At least 90 calendar days must have elapsed after receiving the material or, in the case of FMS shipments, shipment status before requesting the status of the bill. However, the status must be requested within a year of the date of shipment (2 years for FMS shipments). Billing offices may reject requests for billing status which are not submitted within these timeframes.

C4.7.4. Restrictions. Except for billings awaiting evidence of shipment or receipt, billing offices will not generate bills based solely upon a request for billing status.

C4.8. BILL COPY PROCEDURES

C4.8.1. Requesting Copies. Like other adjustment requests, requests for copies of DLMS bills will be forwarded to the DAASC using DS 812R, Adjustment Request.

C4.8.2. Retransmitting Copies. DAASC will retransmit a copy of all bills wherein the billing office DoDAAC, bill number, and year within decade and month of credit match the same information on the request.

C4.8.3. Bill Reversal. Billing offices failing to respond to requests for copies of bills, when such requests are received within the record retention period, will be directed by their Service or Agency headquarters to reverse the billing. Billed offices will absorb all charges, in the manner prescribed by their Service or Agency, when the record retention period has elapsed and they have failed to obtain copies of bills.

C4.9. REQUEST FOR CHANGE IN BILLING METHOD. When a billed office is unable to process a DLMS bill (either interfund or noninterfund) under the payment method processed, they may have the item or items billed under the alternative procedure by forwarding DS 812R, Adjustment Request, to the billing office. All such requests, submitted according to the procedures prescribed in this manual, will be honored by the billing office.

C4.10. ADJUSTMENTS FOR DISCREPANCY REPORTS. Discrepancy reports will be submitted, reviewed, processed, validated, and responded to in accordance with volume 2 and DLAR 4500.15, et.al. Financial adjustments related to discrepancy reports will be processed in accordance with this manual.

C4.10.1. Financial Adjustment

C4.10.1.1. Processing. Billing offices will process financial adjustments without regard to dollar value when the discrepancy report is validated and the following criteria are met:

C4.10.1.1.1. Discrepancy Not Resolved. The discrepancy was not resolved otherwise; i.e., the vendor does not replace deficient material for a validated PQDR.

C4.10.1.1.2. Material Billed and Paid. The material was billed and paid previously or, in the case of PQDRs, there is a reasonable basis for assuming the items were billed and paid for previously.

C4.10.1.1.3. Material Received. The material is received by the depot in those cases where the discrepancy report reply requires the return.

C4.10.1.2. Improper Commitment. When a reply to a discrepancy report improperly commits the billing office to providing an adjustment; e.g., shipment was never billed, the billing office will ask the replying office to correct the reply to the discrepancy report.

C4.10.2. Other Discrepancies Adjustment Rules

C4.10.2.1. Adjusting Transportation Discrepancy Reports. Requests for adjustments related to transportation discrepancy reports (TDRs) will be submitted only when the adjustment is not received and more than 60 calendar days have elapsed since the report was filed. Requests related to PQDRs and SDRs will not be submitted until a minimum of 60 calendar days have elapsed since receiving notification that the discrepancy is validated; that is, that an adjustment is approved.

C4.10.2.2. Material Return Contingency. When the promised adjustment for a discrepancy is contingent upon the return of material, the request will not be submitted until a minimum of 60 calendar days have elapsed since shipping the material. When a reply to a discrepancy report is not received, follow up as prescribed by volume 2.

C4.11. ADJUSTMENTS FOR BILLING ERRORS

C4.11.1. The following are billing errors and will not be accepted for processing unless the minimum value criterion (section 4.1) for requesting adjustment is met:

- C4.11.1.1.** Duplicates
- C4.11.1.2.** Wrong amount billed
- C4.11.1.3.** Wrong office billed
- C4.11.1.4.** Improper billed
- C4.11.1.5.** Promised adjustment not received
- C4.11.1.6.** Other problems

C4.11.2. Duplicates

C.11.2.1. Duplicate Billing Line. A duplicate billing line is a second or subsequent billing for a single shipment or adjustment. If the second or subsequent billing resulted from a second or subsequent shipment, financial adjustment procedures do not apply. See, instead, discrepancy report procedures for duplicate shipments in volume 2.

C4.11.2.2. Duplicate Bill. Duplicate bill is a bill which is supported entirely by duplicate billing lines. In the case of interfund bills, the bill is also included on the billing office's interfund report.

C4.11.2. Wrong Amount Billed

C4.11.2.1. Purpose. A wrong amount billed refers to a billing line in which the unit price, quantity, or price extension is erroneous.

C4.11.2.2. Exceptions. Do not request adjustment for wrong amount if:

C4.11.2.2.1. The unit price is the correct standard or catalog price and you are questioning the price. Follow price challenge procedures instead.

C4.11.2.2.2. The quantity billed equals the quantity ordered or shipped and a lesser quantity is received. Follow the appropriate volume 2 discrepancy reporting procedure instead.

C4.11.3. Wrong Office Billed

C4.11.3.1. Request. Request an adjustment for wrong office billed when the office billed does not agree with the coded requirements of the requisition or adjustment request and the coding indicated a valid billed office DoDAAC. A valid billed office DoDAAC is one listed in the DoD Activity Address Directory (DoDAAD).

C4.11.3.2. Invalid Coded Information. If the coded information used to derive the billing office does not provide for a valid DoDAAC and the billing office assigned the billed office as prescribed in chapter 2, the adjustment may be denied.

C4.11.3.3. Wrong Office Assigned. When the billing office assigned the billed office as prescribed in chapter 2 and the office assigned is not the intended office, the billed office will transfer or otherwise process the bill in accordance with procedures prescribed by the Service or Agency. If the offices involved are serviced by the same finance center, the billed office will contact the intended billed office or requisitioner and make arrangements for transferring the bill.

C4.11.4. Improper Billing

C4.11.4.1. Use Of DS 812R. A DS 812R, Adjustment Request, citing the proper billing advice code should be submitted to billing offices to request adjustments for improper billings. For purposes of this section, an improper billing is a billing line which:

C4.11.4.1.1. Charges for material requisitioned under nonreimbursable procedures

C4.11.4.1.2. Charges improperly for accessorial costs;

C4.11.4.1.3. Charges for material following a reply that a billing could not be rendered; or

C4.11.4.1.4. Charges for material confirmed cancelled when the material is not received.

C4.11.4.2. Exceptions. When the "cancelled" material is received or if the requisition was not confirmed cancelled by the inventory control point (ICP) or integrated material manager (IMM), financial procedures do not apply. Follow instead volume 2 procedures prescribed for reporting supply discrepancy reports (SDRs). Although annotations on a shipping document, in conjunction with other factors, may support a discrepancy report, they do not support an adjustment for improper billing. A validated discrepancy report is needed.

C4.11.5. Promised Adjustment Not Received. Billed offices will forward a DS 812R, Adjustment Request, with the proper billing advice code to the billing office to follow-up on promised adjustments which are not received and more than 30 days have elapsed since receiving a reply promising the billing or adjustment.

C4.11.6. Other Billing Problems. Billed offices or others will request adjustments for problems not covered by billing advice codes by forwarding a letter (or message) of explanation along with the information required to process the request. The billing office will normally respond with a DS 812R, Adjustment Request.

C4.12. ADJUSTMENTS FOR CHANGE NOTICES

C4.12.1. Recording Undelivered Orders. If an order is placed with or through the DBOF, an undelivered order (obligation) should be recorded when the order is placed. A non-stock numbered item should be recorded as an undelivered order when the order is accepted. An adjustment to the undelivered order should be processed when a change notice affecting price, quantity, or an acceptable substitution of a like item is received from the stock fund. Refer to the DoD 7220.9-M for more specific information on the above requirements.

C4.12.2. Customer Not Receiving Change Notice. If a DBOF customer does not receive a change notice or does not receive it in time to cancel or modify the order and additional funds are required, the material may be refused or returned to the DBOF and an adjustment requested. Adjustments for this reason will be forwarded by mail and must be signed by the activity accounting officer. The request must meet the following requirements and will state essentially:

"As a result of a price change, quantity change, or authorized substitution, the value of the material received exceeds amounts obligated and all available obligation authority. Request credit for the indicated quantity and items delivered under the following requisition document and suffix number. In addition, provide us with the return instructions for the material."

C4.12.3. Honoring Requests. The billing office will honor all such requests and provide adjustment, without regard to dollar value, after the material is returned. The billing office will also contact the item manager (requisition processing office) to arrange for the return.

C4.13. ADJUSTMENTS FOR FMS DISCREPANCIES AND BILLING ERRORS. The Military Departments may automatically grant adjustments² and charge or credit the administrative surcharge fund when:

C4.13.1. The request cannot be rejected per the agreement with the FMS customer and

C4.13.2. The amount of the adjustment requested is either (1) less than \$100 or (2) less than the amount approved³ for that Military Department by the Defense Security Cooperation Agency.

C4.14. CREDITS FOR EXCESS REPORTS (MATERIAL RETURNS PROGRAM)

C4.14.1. Procedures. Material returns program procedures are prescribed by volume 2.

C4.14.2. Processing Credits. Billing offices will process credits for excess reports during the first billing cycle after receiving notification that material, authorized for return under creditable procedures, has been received in a condition warranting credit.

² Automatic adjustments may be withheld from specific customers if there is a pattern of abuse of this authority. When such a pattern exists, all discrepancies and billing errors from that customer should be researched.

³ Military Departments may request approval for a different adjustment level. The dollar amounts of automatic adjustments will be determined by an agency cost effectiveness study which compares the administrative cost of conducting necessary research to determine specific responsibility versus the cost which will be incurred by the administrative surcharge pool if an automatic refund is authorized. The agency cost effectiveness study must be submitted to DSCA for review and approval.

C5. CHAPTER 5

INTERFUND BILLING SYSTEM PROCEDURES

Standard procedures and EDI conventions for use of DLMS standards in the interfund billing system are currently under development. These standards will provide for seller reporting, buyer acceptance, and finance center exchange of information concerning interfund transfers.

C6. CHAPTER 6

DEFENSE AUTOMATIC ADDRESSING SYSTEM CENTER PROCESSING

C6.1. ROUTING. Billing offices must forward all DLMS billings to DAASC for editing and routing to addresses.

C6.2. EDITING. DAASC will edit DLMS Logistics Bills to ensure that they satisfy ANSI ASC X12, Federal IC, and DS for DS 810L, DS 812R, and DS 812L (see DLMS appendix 6).

C6.3. DISPOSITION

C6.3.1. Rejecting DLMS Bills. DAASC will reject DLMS bills failing syntactical analysis and prepare a 997 transaction set to advise billing and billed offices. Billing offices should correct all rejected DLMS bills and resubmit them. However, if the billing was included on the billing office's interfund report, the DLMS bill or interfund report must be corrected.

C6.3.2. Routing DLMS Bills. DAASC will route DLMS bills (DSN, mail, etc.) to the billed office. The DAASC will retain images of non-Security Assistance bills routed by them for 1 year and Security Assistance bills for 2 years. Chapter 3 prescribes procedures for obtaining copies from DAASC.

AP1. APPENDIX 1

DEFENSE LOGISTICS MANAGEMENT STANDARDS

FINANCE PROCESS REVIEW COMMITTEE MEMBERS

The membership information is available at: <http://www.dla.mil/j-6/dlms0/eLibrary/Restricted/SvcPointsPOC/PRCMembers/financeprcmembers.asp>