

CHAPTER 4

ADJUSTMENT PROCEDURES

A. REQUESTING ADJUSTMENTS

1. Submission

All requests for adjustments will be forwarded to the billing office with the following exceptions:

(1) Requests for copies of interfund bills will be forwarded to the DAASO if the DAASO record retention period has not expired. See section G for additional information.

(2) Requests for adjustments of GSA billings, other than subparagraph (1) above, will be forwarded to the GSA central processing office (RI Code "GSA"). For adjustment purposes, this office is considered a "billing office". **All** requests for adjustments are to be forwarded via AUTODIN. Correspondence, if necessary, should be mailed to:

GSA Discrepancy Reports Center (6FRB)
1500 East Bannister Road
Kansas City, Missouri 64131-3087

b. All requests for adjustments, including those related to FMS and reported to **ILCOs** under FMS ROD procedures (references (n) and (o)) will be forwarded to the billing office in the format prescribed for the billing advice code appropriate to the request. The formats are prescribed in the C series appendices.

c. All requests for adjustments will be submitted within 30 **calendar** days of billing. Exceptions to this requirement, where appropriate, are noted in other sections of this chapter. Initial requests for adjustment received after the record retention period for billing records will be denied.

2. Minimum Value

a. No request for adjustment will be submitted for billing errors if the amount of the adjustment is:

(1) \$25 less and the billing office is GSA.

(2) Less than \$100 and the billing is for **FMSt**.

tThe **Military** Departments **may automatically** grant the adjustment and charge **or credit** the administrative surcharge fund if the request cannot be rejected per the general conditions of the DD Form **1513**, U.S. Department of Defense Offer and Acceptance.

(3) Less than \$100 and the billing is for a subsistence item.

(4) Less than \$250 and subparagraphs (1)-(3) do not apply.

b. There is no minimum value for:

(1) Requesting a corrected bill when the bill received is incomplete (**BAC "19"**),

(2) Requesting status of required billing (**BAC "34"**),

(3) Requesting a copy of a bill (**BAC "41"**),

(4) Requesting noninterfund billing when the billing cannot be processed under interfund procedures (**BAC "51"**).

B. CANCELLING OR AMENDING REQUESTS FOR ADJUSTMENT

1. Submitting offices will cancel requests for adjustments whenever the request is invalid or inappropriate and the billing office has not responded to the request.

2. If the billing office has responded to an invalid or inappropriate request with a billing status code in the "A", "D", or "E" series no further action is required. Submitting offices will **forward** a cancellation request (DI Code **FAC**, **FDC**, or **FJC**) to the billing office if a billing office response ("C" series **BSC**), considering the advice code forwarded, indicates that an adjustment is in process.

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

C. FOLLOWUP ON UNANSWERED REQUESTS FOR ADJUSTMENT OR MRP CREDIT

1. Additional **followup** to DAASO for copies of interfund bills, if needed, will be by letter, message, or telephone (**AUTOVON** 986-6395). **Followup** to DAASO may begin 7 calendar days after the request is submitted.

2. Except for **followups** described in paragraph 1, offices submitting adjustment requests will follow up on requests for adjustments remaining unanswered for more than 45 calendar days after submission. The **followup** will be forwarded in the same manner as the initial request and in the **DI Code** FAF, FDF, or FJF format appropriate for the advice code. If the request for adjustment remains "unanswered" for more than 30 calendar days after **followup**, submitting offices **will** forward a second and **final followup** 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 **followup** will also identify the dates of initial and followup request.

3. Offices designated to receive **MRP** credit will follow up on the credit when the credit has not been received and more than 60 calendar days have elapsed since the **materiel** receipt status (DI Code FTZ), citing a credit status, is received. **Followup** (the initial request) will be in the **DI** Code FTP record format. A second **DI** Code FTP record will be submitted if a reply or credit is not received within 60 calendar days of the initial request.

4. Follow the procedures prescribed for noncompliance (chapter 1) when:

a. Requests for adjustments **or** **MRP** credits remain unanswered for more than 30 calendar days after the second **followup**;

b. No interim response is received within 30 calendar days; and,

c. If an interim response was received, the date promised has passed.

D. PROCESSING ADJUSTMENTS AND REQUESTS FOR ADJUSTMENT OR MRP CREDIT

1. Adjustments, when warranted, will be at the price originally billed.

2. Billing offices will respond to all requests for adjustment within 30 calendar days of the date the request is submitted, via AUTODIN in the **DI** Code FAR, FOR, or FJR format.

3. Billing offices **will** respond to all first **followup** requests for adjustment within 21 calendar days of the date the request is submitted and respond, via AUTODIN, in the **DI** Code FAS, FDS, or FJS format.

4. Billing offices will respond to second followup requests for adjustments and **MRP** credit by letter or message within 14 calendar days of receipt. If the request cannot be answered within the 14 days, the billing office will send an interim response by letter or message. The interim response will indicate the date, not to exceed 30 calendar days, a response will be forwarded by letter or message.

5. All responses to adjustment requests will be forwarded to the office designated by the recipient of billing status code. Adjustments will be forwarded to the office originally billed.

6. Billing offices will respond to initial requests and first followup for **MRP** credit in the **DI** Code FTB format. Responses will be forwarded, via AUTODIN, to the office designated by the materiel receipt status (DI Code **FTZ**).

E. INCOMPLETE BILL PROCEDURES

1. An incomplete bill is one in which the bill, either interfund (DI Code FS record) or noninterfund (SF 1080 or equivalent), is not fully supported by detail billing records or information, respectively.

2. Since the DAASO will not pass incomplete interfund bills to billed offices, a copy of the "incomplete" interfund bill will first be requested from the DAASO. If DAASO is unable to provide the copy, a request citing BAC "19" will be forwarded to the billing office.

3. In addition to responding to the request, whenever the bill referred to is on file, billing offices will always provide a fully supported copy or corrected bill to the billed office.

F. BILLING STATUS PROCEDURES

1. When requisitioned materiel is received, intended billed offices must seek the status of the billing. This is consistent with the concepts underlying DoD accounting theory and practice as prescribed in chapter 11 of the DoD Accounting Manual (reference (i)). If materiel was not requisitioned, or if requisitioned materiel was not received, MILSBILLS procedures do not apply. Contact the local supply or requisitioning office for appropriate procedures.

2. At least 60 calendar days must have elapsed after receiving the materiel before requesting the status of the bill (BAC "034"). However, the status must be requested within a year of date of shipment (2 years for FMS shipments). Billing offices will deny requests for status which are not submitted within these timeframes.

3. When the request for billing status involves fuels and is forwarded to the DFSC (RI Code S9F), the request will be mailed and will identify the supply source. If the supply source is a DFSP, provide the DoDAAC of the DFSP. If the supply source is a contractor, including contractor into-plane, provide the contract number.

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

5. DoD policy (chapter 41 of reference (i)) has allowances for writing off unbilled liabilities and deobligating the related obligation when an invoice has not been received within 180 days from the date of acceptable final performance and there is documentation on file that at least two written requests for an invoice have been made. Refer to the reference for other conditions which must be met, such as establishing a reserve for late bills.

G. BILL COPY PROCEDURES

1. Requests for copies of interfund bills will be forwarded to the **DAASO** if the **DAASO** record retention period has not expired. The request **will** be forwarded, via AUTODIN, in the **DI** Code **QB1** format, by mail or message using **CIC "IFBB"**. When forwarded via AUTODIN, the record will be sent to COMM RI "**RUEOZZA**"; when mailed, it will be addressed to:

Defense Automatic Addressing System Office
ATTN: DAAS-VL
Gentile Air Force Station
Dayton, OH 45444-5320

The **DAASO** will accept telephone requests (**Autovon** 986-6395) for copies. Telephone requests will be limited to no more than five bills.

2. **DAASO** will retransmit a copy of all interfund bills wherein the billing office DoDAAC, bill number, and year within decade and month of credit matches the same information on the request.

3. **DAASO** will send a service message to the originator when **DAASO** is unable to retransmit a requested bill.

4. If the **DAASO** responds that it has no record of the bill, the originator **will** review the request for correctness. If the request (**DI** Code **QB1**) is found to have been incorrect, the originator will forward a corrected request to the **DAASO**. Otherwise, the originator **will** forward a request, in the **DI** Code **F**AE or **F**JE format prescribed for BAC "41", to the billing office.

5. Requests for copies of **noninterfund** bills will always be forwarded to the billing office, via AUTODIN when available, in the **DI** Code **F**AE or **F**JE format prescribed for BAC "41".

6. Billing offices failing to respond to requests for copies of interfund 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.

7. Billing offices are not required to provide detail billing records using EAM cards to DoD Components in support of a **noninterfund** billing or in response to a request for a copy of an interfund bill.

H. REQUEST REBILLING UNDER NONINTERFUND PROCEDURES

1. When a billed office is unable to process a billing record under interfund procedures, the billed office may have the item or items billed under noninterfund procedures by forwarding a request for billing adjustment citing BAC "51".

2. Use of this billing advice code is an admission by the billed office that the requisition was incorrectly coded. Refer to the section on billing errors if the requisition was improperly billed under interfund procedures.

3. Requests citing BAC "51" may be submitted only when the funds involved may not be disbursed under interfund procedures. All such requests, submitted in accordance with procedures prescribed in this chapter, will be honored by the billing office.

I. ADJUSTMENTS FOR DISCREPANCY REPORTS

1. Discrepancy reports will be submitted, reviewed, processed, validated, and responded to in accordance with procedures prescribed for the discrepancy:

Transportation Discrepancies (reference (p))
Item and Packaging Discrepancies (reference (q))
Discrepancy Reports Against FMS Shipments (reference (o))
Quality Deficiencies Across Component Lines (reference (r))

2. Financial adjustments related to discrepancy reports will be processed in accordance with this manual.

3. Billing offices will process financial adjustments when the discrepancy report is validated and all of the following **MILSBILLS** or GSA criteria are met:

a. The discrepancy was not resolved otherwise; e.g., the vendor **does** not replace deficient materiel for a validated QDR.

b. The materiel was billed previously.

c. The materiel is received by the depot in those cases where the discrepancy report reply requires the return.

d. The TDR or QDR exceeds \$25 per line (**DBR**) or the ROD exceeds \$50 per line (**DBR**) for discrepancies involving GSA shipments. This GSA policy applies only to GSA shipments. There are no dollar value limitations for discrepancies involving DoD shipments.

e. The discrepancy report for a GSA shipment is received by GSA, **except** when extenuating circumstances or high dollar value warrants special consideration, within the following timeframes:

(1) Within 1 year of the date of shipment for quality deficiencies (**QDRs**) except:

(a) For items under warranty which must be received within the time limits prescribed in the individual warranty.

(b) For shelf-life items which must be received prior to the expiration of the shelf-life period and within 1 year of the date of shipment.

(2) Within 180 calendar days of the date of shipment for other than quality deficiencies except for:

(a) Shipments to MAP consignees, which must be received within 18 months of the date of shipment; and

(b) Shipments to consignees located in the CONUS, Hawaii, the Commonwealth of Puerto Rico, the Virgin Islands, the southeast peninsula of Alaska, central Alaska (**rail belt**), and Kodiak Island, which must be received within 120 days of the date of **shipment**.

4. 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.

5. Requests for adjustments related to TDRs (BAC "21") **will** not be submitted unless the adjustment is not received and more than 60 calendar days have elapsed since the report was filed.

6. Requests related to QDRs (**BAC "24"**) and RODS (BAC "26") **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. When the adjustment is contingent upon the return of materiel, the request will not be submitted until a minimum of 60 calendar days have elapsed since shipping the materiel.

J. ADJUSTMENTS FOR BILLING ERRORS

1. The following adjustments are considered billing errors and will not be accepted for processing if the minimum **value** criterion for requesting adjustments is not met:

Duplicates
Wrong amount billed
Wrong office billed
Improper bill
Promised adjustment not received
Other problems

2. Duplicates

a. Duplicate detail billing record

(1) A second or subsequent detail billing record for a single shipment or adjustment. If the second or subsequent billing **resulted** from a second or subsequent shipment, **MILSBILLS** adjustment procedures do not apply. See instead discrepancy report procedures for duplicate shipments (references (o) and (q)).

(2) To obtain adjustment for duplicate detail billing records not previously adjusted by the billing office, submit a separate request (DI Code FAE or FJE) for each duplicated billing record in the format prescribed for BAC "11". Follow subparagraph b if all of the DBRs on the bill are duplicates of previous billings.

b. Duplicate bill

(1) A **bill**, either interfund or noninterfund (SF 1080 or equivalent), wherein the bill is supported entirely by duplicate detail billing records. In the case of interfund bills, the bill is also included on the billing office's interfund report.

(2) Adjustments for duplicate bills may be requested only upon confirmation that the bills (original and duplicate) were, in fact, reported to the buying service's CAO. To obtain an adjustment, submit a request (DI Code FDE) for each duplicated bill in the format prescribed for:

(a) BAC "42" when the bill is identical, including the bill number, to a previous bill.

(b) BAC "43" when, except for the bill number, the bill is identical to a previous bill.

(c) BAC "44" when all of the supporting detail billing records of one bill are included on another bill. The bill containing such **DBRs**, all of which are included on another bill, is considered the duplicate bill. The bill numbers may or may not be the same.

3. Wrong Amount Billed

a. A wrong amount billed refers to a detail billing record in which the unit price, quantity, or price extension is erroneous. The error may be in either direction and will be reported in the DI Code FAE or FJE format prescribed for BAC "12".

b. Do not request adjustment for wrong amount if:

(1) The unit price is the standard or catalog price and you are questioning the price. Follow price challenge procedures described in section J instead.

(2) The extension does not agree with the amount billed and Sales Price Condition Code "R" is indicated. In this case, the unit price shown on the billing record is the inventory carrying value, the standard unit price. The billing unit price, if needed, must be computed.

(3) The quantity billed equals the quantity ordered or shipped and a lesser quantity is received. Follow the appropriate discrepancy reporting procedure instead.

4. Wrong Office Billed

a. Request an adjustment for wrong office billed when the office billed does not agree with the coded requirements of the requisition and the coding indicates a valid billed office DoDAAC; that is, one listed in the DoDAAD (reference (e)), or when the billed office for adjustments differ from the office originally billed.

h. If the coded information on the billing record used to derive the billed office differs from the same information provided on the requisition, the request must be sent by letter or message and include this point as well as the information prescribed for requests citing BAC "13". If the billing was prepared in accordance with the requisition or modification received by the ICP or IMM, the request will be denied.

c. 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, adjustment will be denied.

d. 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 not part of the same Service or Agency, the billed office will contact the intended billed office or requisitioner and make arrangements for transferring the bill. When satisfactory arrangements for transferring the bill cannot be

made, the billed office will follow procedures in chapter 1 for unresolved problems.

5. Improper Billing

a. Definition. For purposes of this section, an improper billing is one wherein a detailed billing record **is** received:

(1) Charging for materiel requisitioned under **nonreimbursable** procedures;

(2) Charging improperly for accessorial costs;

(3) Billing for materiel when the materiel is not received and cancellation of the requisition by the ICP or **IMM** was confirmed;

(4) Billing for materiel when the materiel is not received and the ICP or IMM advised that the materiel was backordered;

(5) Following billing office reply that a billing could not be rendered; and

(6) Under interfund procedures when the coding of the requisition or excess report, in conjunction with **MILSBILLS** procedures, require billing under noninterfund procedures.

b. Nonreimbursable. Forward a request for adjustment in the format prescribed for BAC "14" when the coding of the requisition indicates that the materiel was requisitioned under nonreimbursable procedures and a billing was received.

c. Accessorial. A request for adjustment in the format prescribed for BAC "15" will be forwarded whenever accessorial costs are charged and the charges are not in accordance with chapter 2. Requests for adjustments of below-the-line accessorial charges on FMS billings prepared by the SAAC will be processed in accordance with procedures prescribed in the FMS Financial Manual (reference (n)).

d. Cancelled. When a billing for materiel is received on a requisition which was confirmed **cancelled** by the ICP or **IMM** and the materiel is not received, a request for adjustment in the **format** prescribed for BAC "17" will be forwarded to the billing office. When the materiel was received or if the requisition was not confirmed **cancelled** by the ICP or **IMM**, **MILSBILLS** procedures do not apply. Follow instead procedures prescribed for reporting RODS. 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.

e. Backordered. A request for adjustment in the format prescribed for BAC "18" will be forwarded to the billing office whenever a billing is received on a requisition which was backordered and the **ICP** or **IMM** has provided **MILSTRIP** (reference (s)) status, **after** receipt of the billing, confirming that the materiel is still backordered. Do not submit requests citing BAC "18" prior to obtaining this status.

f. Billing cannot be rendered. Billed offices will request adjustments in the format prescribed for BAC "20" whenever the billing office issues a bill after advising, in a response to a request for billing status (**BSCs** DC and DF), that a bill could not be rendered.

g. Improper interfund. Whenever billing offices bill under interfund procedures and **MILSBILLS** procedures do not prescribe billing under **interfund** procedures, **billed** offices will forward requests for adjustment in the format prescribed for BAC "52". When **MILSBILLS** procedures prescribed billing under interfund procedures, billing offices will deny these requests. If the requisition or excess report was coded incorrectly and the interfund billing cannot be processed, refer to procedures for requesting rebilling under **non-interfund** procedures.

6. Promised Adjustment Not Received. A request for adjustment citing **BAC "23" will be prepared when a billing** or adjustment is not received and more than 30 calendar days have elapsed since receiving a reply (DI Code FAR or FJR) to a request for adjustment promising the billing or adjustment. If the adjustment promised relates to a discrepancy report, refer to the section on adjustments for discrepancy reports.

7. Other Billing Problems. Billed offices or others will request adjustments for **problems** not covered by this section or sections E, F, H, or J by forwarding a letter (or message) of explanation along with the information prescribed for BAC "55". Billing offices will respond, via AUTODIN, in the **DI** Code FAR or FJR format. If required, or deemed appropriate, the billing office will also respond by letter or message.

K. ADJUSTMENTS FOR CHANGE NOTICES

1. If an order is placed with or through a stock fund, an undelivered order (obligation) should be recorded when the order is placed. A **nonstock** 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 chapter 25 of DoD 7220.9-M (reference (i)) for more specific information on the above requirements.

2. If a stock fund 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 materiel may be refused or returned to the stock fund and an adjustment requested. Adjustments for this reason will be forwarded by mail and must be signed by the activity accounting officer. The request will state essentially the following:

"As a result of a price change, quantity change, or authorized substitution, the value of the materiel 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 materiel."

3. The billing office will honor all such requests and provide adjustment, without regard to dollar value, after the materiel is returned.

4. The billing office will contact the item manager (requisition processing office) to arrange for the return.

L. CREDITS FOR EXCESS REPORTS (MATERIEL RETURNS PROGRAM)

1. Materiel returns program (MRP) procedures are prescribed by MILSTRIP (reference (s)).

2. Billing offices will process credits for excess reports during the first billing cycle after receiving notification that materiel, authorized for return under creditable procedures, has been received in a condition warranting credit. The credit will be processed in the DI Code FD1/2 format.

3. MRP credits will be processed at the standard price in effect at the time of receipt or at a reduced price if, in the opinion of the IMM, the condition warrants such reduction.

M. DISPUTED RESPONSES TO REQUESTS FOR ADJUSTMENT

Billing and billed offices are expected to resolve their differences regarding adjustment requests. However, when a billed office does not agree with a billing office's response and the billed office considers the amounts involved significant, the billed office may consider the dispute an unresolved problem and follow the procedures prescribed in chapter 1.