

CHAPTER 4

ADJUSTMENT PROCEDURES**A.** REQUESTING ADJUSTMENTS1. Submission.

a. 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". Although all requests are to be forwarded via AUTODIN, correspondence, when necessary, may 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 or less and the billing office is GSA.

(2) Less than \$100 and the billing is for **FMS**¹.

¹The 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 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. FOLLOW UP 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 followup** 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 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** and

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 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 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.

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.

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 -D I code **QB1** format, by mail or message. 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

2. DAASO **will** retransmit a copy of **all** interfund bills wherein the billing office DO **DAAC**, 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 FAE or FJE 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 FAE or FJE 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 will not 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. **Non-DoD** Components desiring detail billing **records** using EAM cards **will** mail the request, along with the necessary explanation, to the billing office. Billing offices will honor **all** such requests.

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:

- a. Transportation Discrepancy in Shipments (reference (p)).
- b. Item and Packaging Discrepancy (reference (q)).
- c. Discrepancy Reports Against FMS Shipments (reference (o)).
- d. Quality Deficiency 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 ROD reply requires the return.
- d. The **DISREP** 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 (**QDR's**) 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:

(a) For shipments to MAP consignees which must be received within **18** months of the date of shipment.

(b) For shipments to consignees located in the CONUS, Hawaii, the Commonwealth of Puerto Rico, the Virgin Islands, the southeast peninsula of Alaska, central **Alaska (railbelt)**, 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 **DISREPs (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:

- a. Duplicates
- b. Wrong amount billed
- c. Wrong office billed
- d. Improper bill
- e. Promised adjustment not received
- f. Other problems

2. Duplicates

a. A duplicate billing record is a second or subsequent 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)).

b. To obtain adjustments for duplicate 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 BAG "11".

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

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 a sales price condition code of "B" 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 lessor 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 **differs from** the office originally **billed**.

b. 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 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. For purposes of this section, an improper billing is one wherein a detail 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, 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 adjustment 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 OF), 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 was coded incorrectly and the interfund billing cannot be processed, refer to procedures for requesting rebilling under **noninterfund** 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 01 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.

Nonstock numbered items 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 FD_ 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.