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SUBJECT: Receiving Discrepancy Policies and Procedures

1. GENERAL

- a. This ~~Instruction~~ establishes the Office of Logistics (OL) concept of consequential and inconsequential discrepancies arising from overages, shortages, damages, technical rejections, unacceptable substitutions, losses in transit, and the disclosure of latent defects in connection with materiel received from commercial and U.S. Government sources. It prescribes the procedures and responsibilities relative to reporting and resolving such discrepancies.
- b. Discrepancy standards set forth herein are established to provide mechanisms which will allow for:
 - (1) The acceptance of overages;
 - (2) The cancellation of any portion of a requisition left open due to a minor receiving discrepancy;
 - (3) The reordering of short, erroneous, or damaged materiel when required, *and*
 - (4) Compliance with the requirements of Office of Finance (OF)

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2. SCOPE

- a. This ~~instruction~~ applies to all OL-designated receiving points (e.g. *[redacted]*, *and* Printing & Photography Division, ^{OL} Logistics Services Division, ^{OL} National Photographic Interpretation Center, Office of Elint, etc.), hereinafter identified as *Receiving Activities*, where materiel is received as the result of procurement actions *initiated* by OL.

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~~Policies~~ ^{with} Policies in respect to materiel discrepancies from commercial and U.S. Government sources differ significantly in several respects:

a. Policy Regarding Commercial Procurements (including those made through ~~General Services Administration (G.S.A.)~~).

- (1) All discrepancies resulting from orders placed on commercial sources of supply shall be considered consequential. However, in the interest of economy and to facilitate prompt and correct payment, the term "Acceptable Discrepancy" shall be noted on Receiving Reports (R/R) when:
 - (a) An overshipment is valued at less than \$50 per line item and is received before the final shipment (or delivery) to the consignee.
 - (b) The requisitioning office (~~hereinafter referred to as the RO~~) accepts an overage valued in excess of \$50 per line item, or one of less than \$50 arriving after final shipment received, or
 - (c) The RO approves the cancellation of any portion of a requisition where there is a shortage in the delivery of materiel ordered, or
 - (d) The RO accepts materiel substituted by the vendor for items originally ordered.
- (2) When ~~acceptable~~ discrepancies occur, vendors will be paid for materiel actually received ^{and accepted,} whether an overage or shortage.

(3) Discrepancies attributable to a vendor will be resolved at the expense of the vendor and at the convenience of the Government. Unacceptable materiel returned at the request of the vendor will be at his expense; however, parcel post charges may be borne by the Government if return via this channel is to Government advantage. Discrepancies caused by misunderstandings between a vendor and the Government must be negotiated by the ~~Procurement~~ ^{to} ~~Activity~~. Return shipping costs or other costs might, in this case, be borne by the Government.

(4) Amended purchase instruments shall be provided ~~to~~ ^{to} OF when acceptable discrepancies are not covered within the terms of the original purchase instrument, ~~to~~ ^{to} except that amended purchase instruments will not be provided when an acceptable overage is \$50 or less per line item.

b. Policy Regarding Procurement from U.S. Government Sources.

(1) Discrepancies arising in connection with the initial receipt of materiel pursuant to orders placed with other U.S. Government agencies shall be considered inconsequential if the line item dollar value is less than \$50 and consequential if more than \$50 for overages and erroneous materiel, or \$100 per line item for materiel technically rejected, short, damaged, defective, or lost in transit. Discrepancies involving shortages

- (2) Inconsequential discrepancies will be accepted, and no action will be taken to obtain adjustments from suppliers or carriers. Billings will be paid in full by OF, whether items not received are included in the billing or not. If the RO desires missing, defective, or erroneous items to be replaced, Supply Division (SD) will submit a new requisition for the required materiel, citing the ^{Materiel} Property Procurement ^{Account} Attachment (MPA) used for the original requisition, and the RO's Property Requisitioning Authority (PRA). (Note that, since items not received or items rejected are not costed to the RO's PRA, the use of his PRA for reordering does not constitute a double payment. Any loss is borne by OL's MPA.)
- (3) Although no attempt will be made to obtain adjustments from suppliers for inconsequential discrepancies caused by erroneous or defective materiel, per the above subparagraphs, the supplying agency will be advised as a matter of record to help it improve its supply system by identifying deficiencies.
- (4) Consequential discrepancies will require adjustment with the supplier. Credit billings will be requested for materiel not received or rejected and returned. OF will be advised of any credit billings due.
- (3) At the discretion of the Chief, SD, a supplier's refusal to honor a request for a credit billing may be challenged and appealed to the Comptroller of the supplying activity through the Director of Finance when the amounts are significant (\$1,000 or more).

4. RESPONSIBILITIES AND PROCEDURES

a. Receiving Activities:

←(1) Container count and inspection. Upon arrival of a shipment at a Receiving Activity, it is essential that the number of containers received conform to those listed on the delivery ticket. Each container must be examined for exterior damage. Any evidence of pilferage, damages, or losses will be noted on the delivery ticket and the carrier's representative be given the opportunity to count and/or inspect the cargo prior to his departure from the receiving dock. The carriers' representative should be asked to acknowledge obvious discrepancies by signing and dating a notation to that effect on the delivery ticket. Containers, dunnage, and materiel will be held intact until the matter is resolved.

(2) Item count and inspection. Prior to preparation of an R/R, items will be inspected for compliance with the procurement instrument. Discrepancies will be noted by the Receiving Activity --or the technical inspector as the case may be-- when the materiel differs from that specified in the procurement instrument, except that, in determining whether an apparent shortage is actually a discrepancy, the following should be considered:

(a) Shipment may be a partial with more to follow. If this cannot be determined from documentation on hand, the Receiving Activity should query the Procurement Activity or the supplier (if this is

(b) Shipment may be considered complete by the supplier, by reason of standard pack (i.e., to even box count) or the existence of a "variation in quantity" clause in a commercial contract that authorizes a certain percentage over or under the requested quantity.

Neither of the above situations constitutes a discrepancy. Billings should agree with materiel received. However, if the total materiel is not forthcoming, as in (b) above, the RO must be advised. If the RO requires the balance, he must provide a new requisition (bearing in mind standard pack or whatever caused the original shortage).

(3) Direct contact with suppliers by Receiving Activity.

Receiving Activities are authorized to contact carriers or vendors directly concerning unclassified (SC-0) commercial procurements and GSA FEDSTRIP procurements in an effort to resolve discrepancies on an informal basis. Telephone communications are permitted in this effort, but written correspondence is not permitted. Any discrepancy that cannot readily and amicably be resolved will be referred to the Procurement Activity for resolution.

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by the Procurement Division (PD), OL, concerning minor discrepancies. Normally, only two individuals in each branch will be authorized this authority; they must be briefed by the Security Staff, etc. or

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- (6) Contacting RO regarding discrepancies. In addition to, or in lieu of, informal attempts to resolve discrepancies with the carrier or the vendor, the ~~Receiving Activity~~ should contact the RO to determine whether items lost in transit, received short, damaged, or having latent defects are to be replaced or cancelled, or whether an overshipment or erroneous material is acceptable. Whether the RO is contacted before or after attempts are made to resolve the discrepancies with the carrier or vendor is at the discretion of the ~~Receiving Activity~~.

No TP ~~Receiving~~ The RO will be asked to provide a new requisition if he requires the balance of a requisition involving a shortage due to "standard pack" (see ^{pull} paragraph 4a(2)) or any time the wrong item is received because of an error attributable to him. In any other instance when reordering is necessary, ~~SD~~ will initiate the action. ~~Receiving~~ Activities removed from the Headquarters area ^{which} ~~who~~ cannot contact the RO directly will address queries regarding the acceptability of a discrepancy to ~~General Control and~~

(7) Preparing R/R's. After the receiving activity has attempted to resolve a discrepancy with the carrier or vendor and/or has contacted the RO regarding the acceptability of the shipment, the R/R can now be prepared (or amended if previously prepared), noting on the R/R the nature of any unresolved discrepancies by item number and classifying each as an acceptable or a consequential discrepancy if from a commercial source, or inconsequential or consequential discrepancy if from a Government source.

(8) Filing discrepancy reports. Acceptable and inconsequential discrepancies require no further action (except to advise the RO and/or ~~the~~ ^{Procurement Activity} of an inconsequential shortage for possible reordering). Unresolved consequential discrepancies require the filing of a formal discrepancy report which is forwarded to the appropriate Procurement Activity. Receiving Activities removed from the Headquarters area can report discrepancies by speed letter or cable. ~~at the discretion of the receiving activity~~

(9) Latent discrepancies. When latent discrepancies are disclosed after receiving has been accomplished, the Chief, SD/~~AL~~, in coordination with the Chief, PD/~~AL~~, if commercial procurement -- will determine whether a formal claim against a carrier or ^{supplier} ~~vendor~~ will be filed or whether an internal adjustment will be made.

(10) Consequential Discrepancies on GSA Commercial Procurements.

Consequential discrepancies on a GSA commercial procurement must be resolved before the Receiving Activity (CD or MD only) submits its receiving information to GSA (on GSA Form 300). GSA then pays the vendor for the exact materiel received, based on ^{the} ~~this~~ Form 300, from an advance account established with them by OF (account 291.09). Per ^{the} paragraph 4 ^{only} ~~a~~ ⁽⁵⁾ SD/IDSB only is permitted to contact GSA commercial vendors regarding any matter.

- (11) Discovery of discrepancy by second consignee. When a Receiving Activity performs initial receiving for shipments destined to a second consignee, and for any ~~of a~~ number of reasons the containers are not opened for inspection, any discrepancies discovered by the ultimate consignee will be reported to the initial Receiving Activity. This Activity will then amend its original R/R and file any necessary discrepancy reports.

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b. Procurement Activities (4D and 01/SD/IDSB)

- (1) Upon receipt of a discrepancy report from a ~~Receiving Activity~~, take *prompt* action to resolve the discrepancy. Provide both ¹⁴SD ~~and~~ (for the accountable file) and OF with a copy of any correspondence sent to suppliers in this effort. Keep ~~Receiving Activities~~ advised of action being taken or to be taken to resolve the discrepancy.
- (2) Provide OF copies of formal claims for losses and damages regarding commercial procurements for the purpose of establishing accounts receivable.
- (3) Provide OF with an amended purchase instrument for commercial procurements when required per ^{para} paragraph 3a(4) above.
- (4) Request adjustment to billings from U.S. Government suppliers for consequential discrepancies for materiel not received or for retrograde materiel (returned to supplier), *providing OF with a copy of such correspondence.* No requests will be made for billing adjustments for inconsequential discrepancies.
- (5) Reorder or cancel discrepant materiel as desired by the RO.
- (6) Advise supplying agencies of erroneous or defective shipments even when no action is requested for replacement, as in the case of an inconsequential discrepancy, per ^{para} paragraph 3b(3).

5. ADDITIONAL GUIDANCE

~~04/SD~~ will be responsible for preparing and disseminating to all ~~Receiving Activities~~ additional procedural guidance regarding the filing of discrepancy reports to transfer the responsibility of resolving a discrepancy to the ~~Procurement Activity~~; regarding the disposition of overages or erroneous materiel; and providing an unclassified working guide depicting the specific action to be taken for every type of discrepancy.

Michael J. Malanick
Director of Logistics

CONCURRENCE:

Thomas B. Yala
Director of Finance

Date

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Will be given
to [REDACTED] 8/26
for coordination with
OF

etc
8/25

ROUTING AND RECORD SHEET

SUBJECT: (Optional)
Revision of LI 45-6

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| FROM: Chief, Operations Support Branch 1104 Ames Bldg. | EXTENSION 3173 | NO. DATE |
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| TO: (Officer designation, room number, and building) | DATE | | OFFICER'S INITIALS | COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.) |
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| 1. C/SD 1106 Ames Bldg. | | 4/23 | JK | |
| 2. | | | | |
| 3. C/P&PS 1236 Ames Bldg. | | 5/29 | VB | |
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Here is our proposed revision of LI 45-6 Receiving Discrepancy Policies and Procedures.

Please note that this LI requires the concurrence of the Director of Finance. OF's planning staff gave informal concurrence some months ago. We have raised the breakpoint between consequential discrepancies and inconsequential or acceptable discrepancies from \$25 to \$50. This means the OF Handbook must be changed, but we believe they are willing to do it. Our rationale in raising this figure is that if \$25 was a practical figure in 1967 (date of present LI) then \$50 is more like it today.

A copy of the 1967 version is attached for ready reference.

[REDACTED]
 C/RPS/OSB

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