

Contract Payment Guide

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I. ACKNOWLEDGEMENTS

The AFLMA contracting division would like to express its sincere appreciation to Headquarters AFMC Contracting (AFMC/PK) for providing much of the information that was incorporated into this study. AFLMA used the “AFMC Payment Instructions Guide” dated January 2000 to construct Section II.--“Contract Pay”, Appendix A.--“Glossary of Payment Terms and Acronyms”, Appendix B.--“API Process”, and Appendix C.--“HQ AFMC Policy Memo on Progress Payment Distribution, 2 Sep 98” in their entirety.

II. INTRODUCTION

The Federal Acquisition Regulation requires federal agencies to make payments to contractors and vendors no later than 30 days after receipt of goods or services, or no later than 30 days after receipt of the invoice for goods or services, whichever is later. If this does not happen, interest will automatically accrue on the principal amount.

Because of delayed contract payments, the Air Force is paying vendors and contractors excessive amounts in interest. In fiscal year (FY) 2002 the Air Force paid nearly \$9.5 million in interest penalties for late payments. Through April of FY 2003, the service paid nearly \$4.5 million in interest. During the same period, contractors and vendors offered \$4.3 million in prompt payment discounts. Of those, 57 percent were taken. Late payments to contractors have prompted complaints to many Air Force bases. In some cases, discontented vendors have ceased doing business with the Air Force, thereby impacting competitive purchasing. The payment of interest penalties also impacts mission accomplishment because these funds come out of wing commanders' budgets.

In an effort to remedy the trend, this guide looks at two distinct types of payment methods: contract pay and vendor pay. Contract pay involves major acquisitions—complex, large dollar, multi-year, often multi-funded purchases consisting of weapon systems and contracts normally administered by the Defense Contract Management Agency. Defense Finance and Accounting Service (DFAS) Columbus makes these payments. Vendor pay typically supports routine, day-to-day operations, and is primarily paid with operations and maintenance funds. Local contracting squadrons administer these contracts, and payments are made by one of 25 DFAS locations. Vendor pay involves high volume and uses relatively simple payment terms, whereas contract pay is more complex, with detailed payment instructions.

III. CONTRACT PAY

Contracting and program offices are expending significant amounts of time and program dollars on contracted support to fix payment problems and reconcile problem disbursements. Inaccurate obligation and expenditure rate information negatively impacts Air Force programs by understating actual performance. Recent initiatives to streamline acquisition have resulted in the consolidation of procurements and lengthening of contract performance. The benefits of consolidating requirements include increased market leverage, lower prices, standardization, reduced workload, and reduced acquisition lead times for the program offices. However, the impact of requirements consolidation on payments can be costly. Consolidating requirements can lead to additional lines of accounting data on a contract, thereby increasing the probability of input errors. Consolidating requirements may also result in mixed contract types within the same document that can complicate payment instructions and hamper the payment process.

This "how to" guide has been developed to help keep things simple, but the first hurdle is getting over a natural aversion to standardization imposed from outside the organization. Picture, if you will, sitting at your computer with a stack of forms to input. None of the forms look exactly alike, but they all have to fit within the standard elements of the computer screen so someone else can rely on the data. In some cases, the form includes a narrative that exceeds the allotted space for the computer input so you have to choose how to summarize the data without losing substance. Some of the data elements are not consistent with the regulations you have been given and only half the page is available for others. This is the role assigned to the document input clerk at DFAS-Columbus. Using the same ground rules and payment instruction language across the Air Force will eliminate the pitfalls that can occur here.

A. Ground Rules

1. Make payment instructions a conscious decision. Payment instructions, whether for multiple-funded line items or for financing payments, must permit the paying office to charge the accounting classification citations in a manner that reflects the performance of work. Policy from the Office of the Under Secretary of Defense/Director of Defense Procurement (Aug 98), which specifies that payment distribution instructions be provided for progress payments for fixed-price contracts other than FFP contracts, requires the administering office to designate the appropriate accounting classification reference numbers (ACRNs) for each progress payment request (See Appendix C).

2. Rely on Automated Payment of Invoices (API) whenever proportional disbursement would reflect work progress. API is system driven and enables Mechanization of Contract Administration Services (MOCAS) to determine the allocation of payment without manual intervention (See Appendix B). When proportional payment is not desired, specific payment instructions must be crafted in Section G of the contract to prevent proration of ACRNs. API for progress payments or cost vouchers distributes the payment proportionally against all available unliquidated obligations on the contract (invoice payments, whether manual or API, are paid from the ACRN associated with the delivered line item). API reduces manual workload at DFAS and speeds up the entitlement process for industry, but may not be desirable to the program office in managing expenditure rates or canceling funds. Proportional disbursement also increases the number of fund cites to be prevalidated before payment can be released and may fail to align disbursement with actual performance.
3. Limit funding to one ACRN per line item or subline item whenever possible. A one-to-one line item/ACRN or subline item/ACRN relationship will permit API to occur in MOCAS for payment of invoices on delivered items.
4. Payment instructions must be consistent with regulations and fiscal law. Familiarity with accounting and payment manuals, guides, and regulations (i.e., Financial Management Regulation (FMR) and DFAS-DE 7000 series) along with appropriation law is essential to effectively prepare payment instructions (See Appendix D).

B. Best Practices and Wisdom

1. First and foremost: KEEP IT SIMPLE, BUT COMPLETE. DFAS input technicians have only 468 characters of space to record payment instructions into MOCAS by contract document. When payment is processed, the entitlement clerk is systematically provided an accounts payable document that reveals only the first 80 characters of the initial input of payment instructions.
2. In the contract, identify how the contractor will bill (i.e., bureau voucher notice (BVN), Progress Payment, DD250 Material Inspection and Receiving Report, or commercial invoice). Ensure the method of billing is in accordance with the Defense Federal Acquisition Regulation Supplement (DFARS) and become familiar with your contractor's billing processes and methods used to invoice DFAS. Understanding your contractor's accounting and billing capabilities may reduce ambiguities between the contractor's request for payment to DFAS and the contract's payment instructions in Section G.

3. If unique instructions apply, billing instructions tell the contractor what to include on invoices and vouchers and to whom they should be submitted; payment instructions tell DFAS how to make the payment. The contract needs to distinguish between the two, but ensure that they are consistent with one another. When billing instructions are anticipated, the tasking should be included in solicitations.
4. Modify payment instructions whenever accounting information or dollar amounts change. Always recap obligations in Section G by line item number, ACRN, and contract type.
5. If a line item is going to be funded by more than one fund cite, and the effort cannot be segregated to allow a one subCLIN/one ACRN relationship, structure the contract in accordance with DFARS 204.7104-1(a) *Informational subline items*. In Section G include instructions for the order of disbursement.

Example:

<u>Item</u>	<u>Description</u>	<u>Qty</u>	<u>Price</u>
0001	Study	1	\$100,000
000101	ACRN: AA		\$25,000
000102	ACRN: AB		\$25,000
000103	ACRN: AC		\$50,000

Disburse in the order listed above.

6. Do not use terms subject to interpretation, e.g. "pay oldest funds first." DFAS may interpret oldest funds as ACRN: AA (because these funds were placed on contract first), while ACRN: AC may have older year funds than ACRN: AA. Specific payment instructions to pay ACRNs in sequence are more explicit, but you must be aware of regulatory constraints that may preclude disbursement of the total amount obligated on any one fund cite. (See Department of Defense (DOD) Financial Management Regulation, Vol 10, Chapter 10, Section 100204 *Progress Payment Procedures*).
7. Cite all payment-related information in Section G. Recognize that there are special contract requirements and contract clauses in parts of the contract other than Section G that connote "special payment instructions" (e.g., Liquidated Damages clause when invoked) and cross-reference where possible. Be prudent in developing and selecting special contract requirements and contract clauses that affect payments.
8. Recap funding amounts by line item and ACRN in Section G. Keep accumulated amounts current via latest modification in accordance with DFARS 243.171 *Obligation or deobligation of funds*.

9. On contracts with mixed contract types (e.g., Firm Fixed Price and Cost-Reimbursement line items), payment instructions are essential to preclude unmatched disbursements. It is extremely important that payment instructions be provided on mixed contract types that indicate which line items and ACRNs are subject to progress payments (SF1443) and cost billings (SF1034). If payment instructions are not provided, MOCAS will automatically prorate any progress payments and cost billings across all ACRNs on the contract.

10. All accounting classification citations identified in contracts must have a corresponding ACRN, even if there is only one fund cite. Assign ACRNs to each discrete accounting classification citation within each contract (DFARS 204.7107 (c)). Do not use the letters “I” or “O.”

11. On the face of any contractual document that contains payment instructions, including modifications and orders, type the words in large, bold letters: **SPECIAL PAYMENT INSTRUCTIONS REQUIRED.**

12. ACRNs funding a line item authorized for progress payments cannot be fully expended until the line item is delivered. In other words, a contracting officer cannot direct DFAS to pay an ACRN down to zero prior to the item being delivered. The customary progress payment rates for DoD contracts, including contracts that contain foreign military sales (FMS) requirements, are 80 percent for large business concerns, 90 percent for small business concerns, and 95 percent for small, disadvantaged business concerns.

C. Payment Instruction Examples

The following scenarios are typical of contracting situations that may occur on Air Force contracts using ACRNs. Consider the Line Item Funding arrangement in directing how payment must be made. The following templates are used in preparation of contracts and modifications, including delivery orders and purchase orders.

<u>Contract Type Scenario</u>	<u>Line Item Funding</u>
#1. Fixed Price (or Cost Reimbursement)	Single ACRN
#2. Fixed Price no progress payments	Multiple ACRNs
#3. Fixed Price (or Cost Reimbursement) progress payments or financing payments authorized	Multiple ACRNs

#4. Mixed Type Contract
progress payments authorized

Single ACRN

#5. Mixed Type Contract
progress payments authorized

Multiple ACRNs
multiple funding sources

Payment Scenarios:

#1. Fixed Price (or Cost Reimbursement)

This is the simplest of scenarios when acquiring services or supplies with a single line of accounting. This is also the easiest for DFAS to pay; API is utilized.

<p>Section G Contract Administration Data</p> <p>ACRN AA: 5793010 119 4730 119992 099400 00000 000000 503000 F03000 PR/MIPR: FD2040-99-25224 \$10,000</p> <p>Contractor will invoice via DD250 (or SF1034 (BVN) for cost reimbursement)</p>
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Based on the scenario above, payment instructions are not required since there is a one-to-one relationship between ACRN and the line item or contract (DFARS 204.7107(e)(3)(i)).

#2. Fixed Price With No Progress Payments

The complexity for payment increases when multiple lines of accounting are involved. However, there are options you may want to consider and discuss with DFAS during the acquisition-planning phase. The methodology used to construct line items is a key factor in the payment process.

Methodology "A" API

Whenever feasible, the preferable approach is to create separate deliverable line items, or sub-line items, for each line of accounting (ACRN) to allow payments to be processed by API. Under this methodology, no payment instructions are required in Section G.

Methodology "B"

In some circumstances, line items and sub-line items cannot be artificially created to accommodate paying systems. In these instances, informational sub-line items in accordance with DFARS 204.7104-1(a)(3) are warranted. When multiple lines of accounting fund a single line item, payments are manually processed in MOCAS. DFARS 204.7107(e)(3) directs the contracting officer to provide payment instructions in Section G to adequately assign ACRNs to the line item that represents the work being performed. Without specific paying instructions in Section G, the DFAS clerk will make the payment the easiest way possible within the system. When specific instructions are desired, consider the following:

<u>Section G</u>	
Contract Administration Data	
PAYMENT INSTRUCTIONS FOR MULTIPLE ACCOUNTING CLASSIFICATION CITATIONS	
<u>ITEM 0001</u>	
ACRN AA: 5793010 119 4730 119992 099400 00000 000000 503000 F03000	
R/MIPR: FD2040-99-25224	\$10,000
ACRN AB: 5703010 110 4730 119992 099400 00000 000000 503000 F03000	
PR/MIPR: FD2040-99-25225	\$20,000
Paying Instructions: Pay all of funds from ACRN AA before disbursing from ACRN AB. Contractor will invoice via a DD250.	



Under Methodology "A," payment instructions are unnecessary because of the one-to-one line item/ACRN relationship. The Methodology "B" scenario, which requires the program office to specify payment instructions in Section G, should be used when it is necessary to protect funds from cancellation or when it is critical to program expenditure rates. When proportional disbursement across all contract line items and sub-line items is acceptable, the DFARS still requires payment instructions for multiple funded line items, but the instructions may simply specify, "Disbursement should be distributed proportionately." This would allow payments to be made automatically, as is the case in Methodology "A" above.

#3. Fixed Price (or Cost Reimbursement); Multiple ACRNs and Contract Financing

Financing payments are treated differently than delivery payments. A progress payment to the contractor is considered a loan and requires "payback" when the line item is delivered or performance accepted. Unless specific progress payment instructions apply, ACRNs are disbursed proportionately up to the liquidation rate

on each ACRN. ACRNs funding a line item authorized for progress payments cannot be fully expended until the line item is delivered. In other words, a contracting officer cannot direct DFAS to pay an ACRN down to zero prior to delivery of the item. For example, if the contract's progress payment rate is 85 percent, then DFAS can only pay work in process up to 85 percent of the ACRN amount, not the line item total. When the line item is delivered and invoiced, the loan amount is recouped and the remaining amount of the line item is fully expensed. The Methodology "A" template below utilizes API. Methodology "B" provides DFAS and the contractor specific instructions on how to pay and bill disbursements respectively. These payments will be manually processed in MOCAS.

Methodology "A"

<u>Section G</u>	
Contract Administration Data	
PAYMENT INSTRUCTIONS FOR MULTIPLE ACCOUNTING CLASSIFICATION CITATIONS	
ACRN AA: 5793010 119 4730 119992 099400 00000 000000 503000 F03000	
PR/MIPR: FD2040-99-25224	\$2,000,000
ACRN AB: 5703010 110 4730 119992 099400 00000 000000 503000 F03000	
PR/MIPR: FD2040-99-25225	\$2,000,000
ACRN AC: 5713010 111 4730 119992 099400 00000 000000 503000 F03000	
PR/MIPR: FD2040-99-25226	\$2,000,000
Progress payments apply to the entire contract, or, cost reimbursement vouchers for partial payment apply to the entire contract.	



No special payment instructions are required for API. The statements regarding the applicability of progress payments or reimbursement financing payments are not considered payment instructions because they do not instruct DFAS on how to distribute funding.

Methodology "B"

Section G Contract Administration Data

PAYMENT INSTRUCTIONS FOR MULTIPLE ACCOUNTING CLASSIFICATION CITATIONS

ACRN AA: 5793010 119 4730 119992 099400 00000 000000 503000 F03000
PR/MIPR: FD2040-99-25224 \$2,000,000

ACRN AB: 5703010 110 4730 119992 099400 00000 000000 503000 F03000
PR/MIPR: FD2040-99-25225 \$2,000,000

ACRN AC: 5713010 111 4730 119992 099400 00000 000000 503000 F03000
PR/MIPR: FD2040-99-25226 \$2,000,000

Or

Special payment instructions apply to Progress Payments (or Cost Reimbursement vouchers for partial payments)

Pay ACRNs in the order listed below up to the limit required for withhold.
AB, AC, AA

Billing Instructions to Contractor: Each request for payment shall be based upon progress/costs incurred and the funding associated with each line item. Include the line item, ACRN, and applicable amount on the invoice as shown below:

INVOICE NUMBER: _____
CONTRACT F ____ - ____ - ____

ITEM ACRN AMOUNT



MOCAS will only allow progress payments on an ACRN up to the permissible progress payment/liquidation percentages cited in the contract.

#4. Mixed Contract Type (Fixed Price/Cost Reimbursement); One Funding Source (One ACRN) and Progress Payments

This scenario may occur when a single line of accounting covers more than one line item or sub-line item of differing contract types. The determination of contract type by the contracting officer is, principally, an indicator of risk and not tied to the type of funds. An example is the repair of line replaceable units (LRUs).

<u>ITEM</u>	<u>NOUN</u>	<u>QTY</u>	<u>UNIT PRICE</u>	<u>AMOUNT</u>
0001	Model "A" LRUs FIRM FIXED PRICE ACRN: AA	100 ea	\$10,000	\$1,000,000
0002	Model "B" LRUs COST PLUS FIXED FEE ACRN: AA	200 ea	\$20,000	\$4,000,000

Section G Contract Administration Data

ACRN AA: 5793400 309 475A 110704 04000 40815 72806F 503000 F03000
PR/MIPR: FD2040-99-12345 \$5,000,000

Paying Instructions

The paying office shall disburse payments in accordance with the following payment requests and the line item amounts:

Progress Payments (IAW SF1443) apply only to line item 0001 up to \$1,000,000
BVN (Cost Voucher) (IAW SF1034) apply only to line item 0002 up to \$4,000,000



Typically, payment instructions are not required since only one funding source is present (DFARS 204.7107(e)(3)). Segregate funding amounts by contract type and financing/non-financing pools and track closely to ensure expenditures that include a fee-for-cost-reimbursement line item do not exceed funding for that line item.

#5. Mixed Type Contract (Fixed Price/Cost Reimbursement); Multiple Funding Sources; Multiple Types of Funding with Progress Payments

Example scenario: Wright-Patterson AFB is about to issue a contract for delivery of unmanned aircraft, a research study, and post production support. Funding (procurement, R&D, and operations and maintenance) will be provided by all three military services. The items will be delivered incrementally at the destination. The contractor has requested financing in the form of progress payments for this fixed-price portion.

ITEM 0001	UNMANNED AIRCRAFT	QUANTITY	AMOUNT
0001AA	ARMY at BASE A FIXED PRICE INCENTIVE ACRN: AA	1 ea	\$1,000,000
0001AB	NAVY at BASE B FIXED PRICE INCENTIVE ACRN: AB	1 ea	\$1,000,000
0001AC	AIR FORCE at BASE C FIXED PRICE INCENTIVE ACRN: AC	1 ea	\$1,000,000
ITEM 0002	STUDY	1 lo	\$300,000
	COST PLUS FIXED FEE		
000201	ACRN: AD	\$100,000	
000202	ACRN: AE	\$100,000	
000203	ACRN: AF	\$100,000	
ITEM 0003	POST PRODUCTION SUPPORT		
0003AA	BASE A (Army) COST PLUS FIXED FEE ACRN: AG	12 mo	\$600,000
0003AB	BASE B (Navy) COST PLUS FIXED FEE ACRN: AH	12 mo	\$600,000
0003AC	BASE C (Air Force) COST PLUS FIXED FEE ACRN: AJ	12 mo	\$600,000

Section G
Contract Administration Data

PAYMENT INSTRUCTIONS FOR MULTIPLE ACCOUNTING CLASSIFICATION CITATIONS

ACRN AA: 219XXXX ARMY PROCUREMENT PR/MIPR: HDHDG-99-12345	\$1,000,000
ACRN AB: 179XXXX NAVY PROCUREMENT PR/MIPR: DJDJYG-99-45678	\$1,000,000
ACRN AC: 5793010 AIR FORCE PROCUREMENT PR/MIPR: FD2050-99-79801	\$1,000,000
ACRN AD: 219YYYY ARMY R&D PR/MIPR: HDHDG-99-12345	\$100,000
ACRN AE: 179YYYY NAVY R&D PR/MIPR: DJDJYG-99-45678	\$100,000
ACRN AF: 5793600 AIR FORCE R&D PR/MIPR: FD2050-99-79801	\$100,000
ACRN AG: 219ZZZZ ARMY O&M PR/MIPR: HDHDG-99-12345	\$600,000
ACRN AH: 179ZZZZ NAVY O&M PR/MIPR: DJDJYG-99-45678	\$600,000
ACRN AJ: 5793400 AIR FORCE O&M PR/MIPR: FD2050-99-79801	\$600,000

Contractor will submit payment requests utilizing the following formats to the respective line items:

Progress Payments for ITEM 0001:	SF1443
Invoices for ITEM 0001:	DD250
Public Vouchers for ITEMS 0002/0003:	SF1034

ITEMs/ACRNs: Fixed Price									
ACRN	AA	AB	AC						
ITEM									
0001AA	\$ 1,000,000								
0001AB		\$ 1,000,000							
0001AC			\$ 1,000,000						
ITEMs/ACRNs: Cost Reimbursement									
ACRN				AD	AE	AF	AG	AH	AJ
ITEM									
0002				\$ 100,000	\$ 100,000	\$ 100,000			
0003AA							\$ 600,000		
0003AB								\$ 600,000	
0003AC									\$ 600,000
	AA	AB	AC	AD	AE	AF	AG	AH	AJ
RECAP	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 600,000	\$ 600,000	\$ 600,000
TOTALS									

Progress payments are authorized only for line items 0001AA, 0001AB, and 0001AC. Proportional disbursement is acceptable.

Cost vouchers are authorized only for the line items listed below. Pay in ACRN sequence as shown:

Item 0002	Disburse in the order shown: AD, AE, AF up to \$300,000
Item 0003AA	Disburse funds using ACRN AG up to \$600,000
Item 0003AB	Disburse funds using ACRN AH up to \$600,000
Item 0003AC	Disburse funds using ACRN AJ up to \$600,000



Many program offices find it necessary to combine mixed type contracts (fixed price and cost reimbursement) on a single instrument. This should be avoided whenever feasible due to constraints within MOCAS. Since MOCAS disburses by ACRN, it is essential to segregate the funds obligated for each type as shown in the example table above. Failure to do so may result in a payment against the wrong appropriation.

At this time the Menu Assisted Data Entry System II (MADES II) and the Automated Contract Preparation System (ACPS) do not support a spreadsheet format to include a table, as shown in the example above, but will have future Word capability that will allow other formats to be imported. In the meantime, continue to use the "summary" area when entering payment instructions text. Whatever system you use, segregating total dollars between fixed price and cost-reimbursement items is essential for DFAS to allocate payments to the proper line item/ACRN.

IV. VENDOR PAY

A. Ground Rules

1. Several actions must take place between four organizations before a vendor payment is made. These organizations' responsibilities are as follows:
 - Contracting offices must ensure complete and accurate contracts are submitted to DFAS, vendors have registered in the Central Contractor Registration (CCR) database, and that the vendor name on the contract matches that which is in the CCR;
 - Receiving and acceptance activities are responsible for timely submission of receiving reports through accounting liaison officers (see paragraph C);
 - Vendors must submit proper invoices in accordance with 5CFR Part 1315, FAR 52.232-25(a)(3) and DFARS 252.211 (see paragraph D); and
 - DFAS is responsible for processing payments.
2. Contracting officers should clearly communicate with contractors prior to invoice submission, ensuring original invoices are sent directly to the appropriate DFAS location. Responsible contracting offices and any necessary functional offices should receive only copies. Exceptions to this would include extremely complex requirements that demand a contracting officer's intervention. In addition, the due date for making vendor payments should be either the 30th day after the designated billing office has received a proper invoice from the vendor, or the 30th day after government acceptance of the work or services completed by the vendor, whichever is later (FAR 52.232-25(a)). Construction contracts are the exception, which require payments be made 14 days after receipt of the payment request by the designated billing office (FAR 52.232-27(a)(i)(A)).

B. Best Practices and Wisdom

1. Procurement professionals understandably get frustrated when something as simple as a single character in the wrong place—maybe a dash or space in one field—causes another system to reject an entire contract document. Once released, it is too late to make any changes without a modification. The Integrity@SPS utility, i.e., integrity tool, identifies problems before the document leaves your system. It provides the procurement professional with a means to validate the information contained on a particular award in the Standard Procurement System (SPS) Procurement Desktop—Defense (PD²) database prior to the contracting officer releasing the award. The utility is

an adjunct to the analysis and pre-approval checks already accomplished by the PD² V4.1x application. Here is how it works:

- Performs a data integrity check on all fields in the database;
- Generates a report of fields not correctly populated; and
- Allows you to fix those fields before document release.

The integrity tool accomplishes this by connecting to the PD² database and processing algorithms to ensure award data is in compliance with applicable Interface Control Documents and federal, Department of Defense, and agency regulations and guidelines. It is arguably the perfect means to ensure your award is as correct as possible and can go a long way toward eliminating discrepancies that may affect and even delay payments to vendors. The tool catches errors such as missing payment office information and net payment terms, CLINs not linked to a funding source, and discount terms not specified in a recognizable format. Enforcing use of the integrity tool and fixing errors before releasing an award can significantly impact the timeliness of vendor payments.

2. Section 1008 of the National Defense Authorization Act for FY 2001 requires that DoD contractors electronically submit payment requests for electronic processing. DoD has issued an interim rule effective March 1, 2003, to implement this requirement (*Federal Register*, February 21, 2003). In addition, the proposed rule requires that the DoD, for internal transmission of supporting documentation or payment requests, supply the information electronically, via three acceptable forms. The rule identifies six situations where using electronic payment methods is unduly burdensome:

- Purchases paid for with the Government-wide Commercial Purchase Card;
- Awards to foreign vendors for work performed outside the United States;
- Classified contracts or purchases, when electronic submission and processing of payment requests might compromise national security or the safeguarding of classified information;
- Contracts awarded by deployed contracting officers in the course of emergency or military operations;
- Purchases to support unusual or compelling needs of the type described in FAR 6.302-2; and
- Cases where the contractor is unable to submit, or DoD is unable to receive, an electronic payment request, or where the contracting officer, payment office, and contractor mutually agree on an alternative method.

3. Although each contracting office receives support from a designated DFAS field site, if money for a particular contract is received from several locations and the majority of the money is against a line of accounting that is supported by somewhere other than the usual field site, the contract should specify that site as the paying office, not the local field site. In addition, there should only be one paying office named in the contract. Doing otherwise risks duplicate payments.

C. Receipt Processing

Receiving Activity Responsibilities

The receiving activity is responsible for maintaining a list of personnel authorized to receive items or services provided by commercial vendors. Receiving activity points of contact are vital players in the Air Force Resource Management System process. They are given the responsibility to request and receive goods or services necessary to perform the mission. Being in a position to order and receive items and services from a vendor also brings with it the responsibility to notify the appropriate office, in writing, that the item or service was received. This written notification is called a receiving report.

Generally, receiving reports document the receipt, inspection, and acceptance of items and services by persons authorized by the organization's Responsibility Center Manager, Cost Center Manager, or Resource Advisor.

The timely delivery of a properly prepared receiving report to the designated location is extremely important because DFAS will not render payment to the contractor until they have received it. Failure to send a written receiving report to the appropriate office in a timely manner increases the potential for interest to accrue.

Receiving Report Documentation Requirements

Properly prepared receiving reports are critical to ensuring vendor payments for goods and services are valid, accurate, and timely. FAR 32.905(c) prescribes the minimum amount of information that must be provided in order for the payment office to render payment to the contractor:

1. Contract number or purchase order number.
2. Adequate description of the goods or services received. For services, the description must include the period the services were rendered.
3. Quantity of supplies received or services performed.
4. Date supplies were delivered or services performed.

5. Date the government accepted the supplies or services, or approved the progress payment request, if the request is being made under the clause at 52.232-5, Payments Under Fixed-Price Construction Contracts; or the clause at 52.232-10, Payments Under Fixed-Price Architect-Engineer Contracts.
6. Signature or approved electronic equivalent, printed name, title, mailing address, and telephone number of the receiving activity official authorized to receive the items or services.
7. Total dollar amount. Although not required by the FAR, the dollar amount is required for partial receipts and to identify the appropriate accounting classification.

The DFAS location responsible for making the payment will return receiving reports that do not meet the above minimum guidance. This will delay the payment to the vendor and possibly result in interest penalty payments.

The DFAS vendor payment system will send a computer-generated product called a "Request for Receiving Report" to the receiving activity if it receives an invoice from the vendor but has not received any receiving documentation. This document will prompt the designated official for receiving information and can be used to support receipt documentation requirements. If the Request for Receiving Report is to be used as a receiving report, the following data must be added: an adequate description of the supplies or service accepted, the printed name, mailing address, and telephone number of the government official accepting the goods or service.

Where to Send the Receiving Report

It is important that the receiving report be sent to the proper location. Depending on the type of item or service received, the proper office may be the DFAS operating location that actually pays the contractor, the contracting office that awarded the contract, or the financial services office (FSO). Contact the contracting office that awarded the contract or the local FSO for assistance if there is any doubt about where to send the completed receiving report. Receiving report information can be documented on a plain sheet of paper, the Request for Receiving Report form, or a vendor's invoice. There are also a variety of hard-copy forms, such as the DD 250; DD 1155, Order for Supplies or Services; and the SF 1449, Solicitation/Contract/Order for Commercial Items; or associated electronic formats that are available to document the receipt of goods and services.

Common Reasons for Returning Receiving Reports

1. Contract number, purchase order number, delivery order number, or BPA call number has not been annotated.

2. There is not an adequate description of supplies received or services rendered, including the period services were rendered.
3. The quantity of supplies received or services rendered is not identified.
4. Either there is not a receipt date for the goods and services received or delivered or the received box is not marked.
5. Either there is not a date of acceptance for supplies or services or the accepted box is not marked.
6. The total dollar amount is not shown. Although not required by FAR, the dollar amount may be required for partial receipts and to identify the appropriate accounting classification and CLIN(s).
7. There is not a signature or approved electronic equivalent of an authorized government official to accept supplies or services.
8. There is not a printed name, mailing address, or telephone number of the designated government official accepting goods or services.
9. Receiving Report on DD Form 250 is submitted on a form version older than August 2000. The computer-generated DD Form 250 does not comply with all requirements and will therefore be returned.
10. DD Form 250 blocks 21 and 22 are dated when signed and not when accepted/received. This has the effect of denying legitimate interest penalties to vendors and is in contravention of the Prompt Payment Act.
11. Cannot sign "for" on any receiving report format. The signature and name must match.
12. Receiving reports are altered by correction fluid, cutting, and pasting.
13. When DD Form 1155 and SF 1449 are used as receiving reports, there is a high incidence of return because critical elements are missing. The DD Form 250 is encouraged for use as a receiving report.

D. Invoice Preparation and Submission

The timeliness of a payment is contingent upon the quality and timeliness of the invoices and receiving reports submitted. An invoice must contain the critical elements identified in FAR 32.905(a), (b), and 5 CFR 1315 to be considered proper. Invoices that do not contain these required elements are considered improper and

will be returned to the vendor for correction. Below are the elements required for a proper invoice. Before making a payment, however, DFAS must ascertain that the goods or services were received and accepted by an authorized government official (see paragraph C). This information is generally documented and submitted in the form of a receiving report.

Required Invoice Elements

1. Name and address of the vendor.
2. Invoice date – should be dated as closely as possible to the date of mailing or fax transmission.
3. Invoice number, account number, and/or any other number agreed to by the contract as required by 5 CFR 1315. The invoice number should be a unique number that will allow the vendor to identify each individual invoice. The contract number should not be used as an invoice number.
4. Contract number or purchase order number for supplies delivered or services performed. If the contract document is on a DD Form 1155 or DD Form 1449, it should include the delivery order or call number on the invoice.
5. Description of the goods or services billed, quantity, unit of measure, unit price, and extended price of supplies delivered or services performed. The service performance period must be clearly identified. If a contract contains multiple CLINs, the invoice must specify which CLINs are being billed. Invoices should not be submitted in advance of performance or delivery.
6. Shipping and payment terms such as shipment number, date of shipment, and prompt payment discount terms. Bill of lading number and weight of shipments should be on government bills of lading.
7. Name and address of the vendor to whom payment is to be sent. This must be the same as that stated in the contract or on a proper notice of assignment. In addition, the vendor must be properly registered in the Central Contract Registry (<http://www.ccr.gov/>) as required by FAR 52.232-33.
8. Name (where practicable), title, phone number, and mailing address of a person to be notified in the event of a defective invoice.
9. Any other information or documentation required by the contract such as evidence of shipment.

Invoice Submission

1. Invoices should be submitted to the payment office specified in the contract. The payment office is located in block 18a of the SF 1449, block 15 of the DD Form 1155, and block 12 of the SF 26.
2. The invoice must not contain any improper alterations such as correction fluid, correction tape, or cutting and pasting. Drawing a single line that does not obliterate the original data and adding the correct information constitutes a proper alteration. The individual making the change must initial near the revisions.

Common Reasons for Returning Invoices

1. The vendor name on the invoice differs from the vendor name reflected on the contract or purchase order. The vendor must contact the issuing contracting office to obtain a vendor name change modification.
2. Itemization of supplies or services, unit prices, and total amount claimed and invoiced does not match the detail line items on the contract or purchase order. Vendor needs to verify against the contract and re-invoice.
3. The invoice is not submitted according to the terms of the contract or purchase order. To expedite payment, the vendor must submit all invoices, as cited on the contract, to the appropriate office for certification.
4. The invoice was previously paid or was charged to a Government-wide Commercial Purchase Card.

E. Use of the GPC Over the Micro-Purchase Threshold

This section provides information for using the GPC when making purchases over the micro-purchase threshold.

Coordinating with the AO and A/OPC

In order for the transactions to be properly executed, cardholders making purchases or payments over the micro-purchase threshold must coordinate with both their representative Approving Official (AO) and Agency/Organization Program Coordinator (A/OPC) to ensure that the appropriate limits are established in Customer Automation and Reporting Environment (CARE). Furthermore, per AFI 64-117 Air Force Government-wide Purchase Card Program, cardholders (and the associated AOs) authorized to order from existing, pre-priced contracts and agreements up to \$25,000 must receive auxiliary training on the appropriate use of

these contract instruments and the additional requirements associated with using them. This training is provided by the local A/OPC.

Local Contracting Support

Cardholders should contact their local contracting office for information on established contracts and agreements (local and otherwise) that they may be able to use to fulfill their procurement needs.

Federal Supply Schedules

The following excerpt is taken from FAR 8.401: (Under FAR 8.4, Federal Supply Schedules):

- (a) The Federal Supply Schedule program, directed and managed by the General Services Administration (GSA), provides Federal agencies with a simplified process for obtaining commonly used commercial supplies and services at prices associated with volume buying (also see 8.001). Indefinite delivery contracts (including requirements contracts) are established with commercial firms to provide supplies and services at stated prices for given periods of time. Similar systems of schedule-type contracting are used for military items managed by the Department of Defense. These systems are not included in the Federal Supply Schedule program covered by this subpart.
- (b) The GSA schedule contracting office issues publications, entitled Federal Supply Schedules, containing the information necessary for placing delivery orders with schedule contractors. Ordering offices issue delivery orders directly to the schedule contractors for the required supplies and services. Ordering offices may request copies of schedules by completing GSA Form 457, FSS Publications Mailing List Application, and mailing it to the—

GSA Centralized Mailing List Service (7CAFL),
P.O. Box 6477,
Fort Worth, TX 76115.

Copies of GSA Form 457 also may be obtained from this address.

- (c) GSA offers an on-line shopping service called "GSA Advantage!" that enables ordering offices to search product specific information (*i.e.*, national stock number, part number, common name), review delivery options, place orders directly with contractors (or ask GSA to place orders on the agency's behalf), and pay contractors for orders using the Government-wide commercial purchase card (or pay GSA). Ordering offices may access the "GSA Advantage!" shopping service by connecting to the Internet and using a web browser to connect to the

Acquisition Reform Network (<http://www.arnet.gov/>) or the GSA, Federal Supply Service (FSS) Home Page (<http://www.fss.gsa.gov/>). For more information or assistance, contact GSA at Internet e-mail address: gsa.advantage@gsa.gov.

Using Federal Supply Schedules

The following excerpt is taken from FAR 8.404: (under FAR 8.4, Federal Supply Schedules):

- (a) *General.* Parts 13 and 19 do not apply to orders placed against Federal Supply Schedules, except for the provision at 13.303-2(c)(3). Orders placed against a Multiple Award Schedule (MAS), using the procedures in this subpart, are considered to be issued using full and open competition (see 6.102(d)(3)). Therefore, ordering offices need not seek further competition, synopsise the requirement, make a separate determination of fair and reasonable pricing, or consider small business programs. GSA has already determined the prices of items under schedule contracts to be fair and reasonable. By placing an order against a schedule using the procedures in this section, the ordering office has concluded that the order represents the best value and results in the lowest overall cost alternative (considering price, special features, administrative costs, etc.) to meet the Government's needs.
- (b) *Ordering procedures for optional use schedules –*
 - (1) *Orders at or below the micro-purchase threshold.* Place orders at or below the micro-purchase threshold with any Federal Supply Schedule contractor.
 - (2) *Orders exceeding the micro-purchase threshold but not exceeding the maximum order threshold.* Place orders with the schedule contractor that can provide the supply or service that represents the best value. Before placing an order, consider reasonably available information about the supply or service offered under MAS contracts by using the GSA Advantage! on-line shopping service, or by reviewing the catalogs or pricelists of at least three schedule contractors (see 8.404(b)(6)). Select the delivery and other options available under the schedule that meet the agency's needs. When selecting the supply or service representing the best value, the ordering office may consider –
 - (i) Special features of the supply or service required for effective program performance;
 - (ii) Trade-in considerations;
 - (iii) Probable life of the item selected as compared with that of a comparable item;
 - (iv) Warranty considerations;

- (v) Maintenance availability;
- (vi) Past performance; and
- (vii) Environmental and energy efficiency considerations.

The federal supply schedules are accessible through the GSA Advantage web site previously noted: <http://www.gsaadvantage.gov/>.

The following excerpt is taken from DFARS 208.4 (Ordering from Federal Supply Schedules):

208.404 Using schedules.

- (a) When a schedule lists both foreign and domestic items that will meet the needs of the requiring activity, the ordering office must apply the procedures of Part 225 and FAR Part 25, Foreign Acquisition. When purchase of an item of foreign origin is specifically required, the requiring activity must furnish the ordering office sufficient information to permit the determinations required by Part 225 and FAR Part 25 to be made.

208.404-1 Mandatory use.

The DoD will not be a mandatory user of any schedule unless individual DoD activities elect to provide annual requirements estimates to GSA and become mandatory users. Examples of areas where this approach may be applied are:

- (1) Group 68—gases and chemicals;
- (2) Group 26—pneumatic tires and inner tubes;
- (3) Maintenance, repair, and/or rehabilitation of personal property; and
- (4) "Just-in-time" arrangements for delivery of material directly from vendors to users.

208.404-2 Optional use.

Make maximum use of the schedules. Other procedures may be used if further competition is judged to be in the best interest of the Government in terms of quality, responsiveness, or cost.

208.405 Ordering office responsibilities.

208.405-2 Order placement.

- (1) When ordering from schedules, ordering offices –
 - (i) May use DD Form 1155, Order for Supplies or Services, to place orders for

- (A) Commercial items at or below the simplified acquisition threshold;
and
 - (B) Other than commercial items at any dollar value (see 213.307);
 - (ii) Shall use SF 1449, Solicitation/Contract/Order for Commercial Items, to place orders for commercial items exceeding the simplified acquisition threshold (see FAR 12.204); and
 - (iii) May use SF 1449 to place orders for other than commercial items at any dollar value.
- (2) Schedule orders may be placed orally if –
- (i) The contractor agrees to furnish a delivery ticket for each shipment under the order (in the number of copies required by the ordering office). The ticket must include the
 - (A) Contract number;
 - (B) Order number under the contract;
 - (C) Date of order;
 - (D) Name and title of person placing the order;
 - (E) Itemized listing of supplies or services furnished; and
 - (F) Date of delivery or shipment; and
 - (ii) Invoicing procedures are agreed upon. Optional methods of submitting invoices for payment are permitted, such as –
 - (A) An individual invoice with a receipted copy of the delivery ticket;
 - (B) A summarized monthly invoice covering all oral orders made during the month, with receipted copies of the delivery tickets (this option is preferred if there are many oral orders); or
 - (C) A contracting officer statement that the Government has received the supplies.
- (3) For purchases where cash payment is an advantage, the use of imprest funds in accordance with 213.305 is authorized when –

- (i) The order does not exceed the threshold at FAR 13.305-3(a); and
 - (ii) The contractor agrees to the procedure.
- (4) If permitted under the schedule contract, use of the Government-wide commercial purchase card-
- (i) Is mandatory for placement of orders valued at or below the micro-purchase threshold; and
 - (ii) Is optional for placement of orders valued above the micro-purchase threshold.

DD Form 1057 Reporting

As noted in AFI 64-117, for each transaction between \$2,500.01 and \$25,000 the cardholder must collect required information from the vendor and complete a DD Form 1057, *Monthly Summary of Contracting Actions*. DD Form 1057 must be submitted to the A/OPC not later than five work days following the end of the month in which the purchase was made (for purchases made in the month of September, DD Forms 1057 must be provided not later than 20 October).

Note: Consult DFARS 204.670 for information on regulatory reporting requirements. DFARS is accessible via the FARSite at Hill AFB:
<http://farsite.hill.af.mil/>

Instructions for Completing DD Form 1057

Specific instructions on how to complete this form can be found at DFARS 253.204-71. It provides a line-by-line breakdown on what to include in each block of the form. The DFARS is accessible via the FARSite at: <http://farsite.hill.af.mil/>

A copy of the DD Form 1057 can be downloaded from the Defense Acquisition Deskbook web site at: <http://deskbook.dau.mil/>

Local Data Collection Procedures

A/OPCs are responsible for ensuring that transactions executed within the required reporting range are summarized on a DD Form 1057 and forwarded to them for centralized collection. The completed forms are to be submitted by cardholders or their representative AOs within three working days after the established cutoff date, which can be no earlier than the 25th calendar day of the month.

V. OTHER TOPICS

A. Assignment of Claims

"Assignment of claims" means the transfer by the contractor to a bank, trust company, or other financing institution, as security for a loan to the contractor, of its right to be paid by the government for contract performance. Under the Assignment of Claims Act, a contractor may assign money due, or to become due, under a contract if all the following conditions are met:

1. The contract specifies payments aggregating \$1,000 or more.
2. The assignment is made to a bank, trust company, or other financing institution, including any Federal lending agency.
3. The contract does not prohibit the assignment.
4. Unless otherwise expressly permitted in the contract, the assignment –
 - Covers all unpaid amounts payable under the contract;
 - Is made only to one party, except that any assignment may be made to one party as agent or trustee for two or more parties participating in the financing of the contract; and
 - Is not subject to further assignment.
5. The assignee sends a written notice of assignment together with a true copy of the assignment instrument to the –
 - Contracting officer (CO) or the agency head;
 - Surety on any bond applicable to the contract; and
 - Disbursing officer designated in the contract to make payment.

An assignment of claims should have little to no effect on the timeliness of payment to the contractor if a properly executed assignment of claims is submitted to the CO and the paying office 30 days prior to project completion or delivery.

The CO's responsibilities with regard to an assignment of claims are minimal and would not require a contract modification, per FAR 32.805 and DFARS 232.805. The CO simply acknowledges receipt by signing and dating all copies of the notice of assignment and shall –

1. File the true copy of the instrument of assignment and the original of the notice in the contract file;
2. Forward two copies of the notice to the disbursing officer of the payment office

- cited in the contract; and
3. Return a copy of the notice to the assignee.

In accordance with DoD Finance and Accounting Manual Volume 10, Chapter 3, paragraph 030106A, the paying office designated in the contract shall pay assignees only after receipt of the following assignment documents:

- Three copies of the notice of assignment acknowledged by the CO.
- Original and one copy of the signed notice and a true copy of the instrument of assignment from the assignee.
- Two copies of the notice acknowledged from the surety or sureties, if any.

The paying office, prior to making payment to the assignee, shall have all aforementioned assignment documents, a properly executed invoice, and receiving report.

B. Novation and Change-of-Name Agreements

"Novation agreement" means a legal instrument executed by the contractor (transferor), successor in interest (transferee), and Government, and by which the transferor guarantees performance of the contract, the transferee assumes all obligations under the contract, and the Government recognizes the transfer of the contract and related assets.

The contractor, CO, and payment office all have responsibilities to ensure timely payment when a contractor completes a novation agreement. If they are not carried out in a timely manner, the result could be a delayed payment or a payment made to the wrong company. FAR 42.1203 outlines each party's responsibilities:

Vendor Responsibilities

Submits a written request to the responsible CO, including three signed copies of the proposed novation agreement and one copy each, as applicable, of the following:

- The document describing the proposed transaction, *e.g.*, purchase/sale agreement or memorandum of understanding;
- A list of all affected contracts between the transferor and Government, as of the date of sale or transfer of assets, showing for each, the contract number and type, name and address of the contracting office, total dollar value (as amended), and approximate remaining unpaid balance;
- Evidence of the transferee's capability to perform (past performance information);
- Any other relevant information requested by the responsible CO.

Contracting Officer Responsibilities

1. Identifies and requests that the contractor submit any missing information or additional information necessary to evaluate the proposed agreement for recognizing a successor in interest.
2. Determines whether or not it is in the Government's interest to recognize the proposed successor in interest based on the following:
 - The proposed successor's responsibility under FAR part 9.1, Responsible Prospective Contractors;
 - Any factor relating to the proposed successor's performance of Government contracts that the Government determines would impair the proposed successor's ability to perform the contract satisfactorily; and
 - Ensures Government counsel has reviewed the novation agreement for legal sufficiency prior to its execution.
3. Executes the novation agreement by forwarding a signed copy to the transferor and to the transferee and retains a signed copy in the contact file.
4. Provides two copies to the following addressee—

HQ AFMC/PKP
4375 Chidlaw Road, Suite 6
Wright-Patterson AFB, OH 45433-5006

Following distribution of the agreement, the CO shall:

1. Prepare a Standard Form 30, Modification of Contract, incorporating a summary of the agreement and attaching a complete list of contracts affected;
2. Retain the original modification with the attached list in the file;
3. Send a signed copy of the modification with the attached list to the transferor, transferee, and each contracting office involved, which will be responsible for further appropriate distribution.

Change-of-Name Agreements

If a vendor is merely changing the company name, a novation agreement is not required. The contractor shall forward to the CO three signed copies of the change-of-name agreement, and one copy each of the following:

- The document effecting the name change, authenticated by a proper official of the state having jurisdiction;
- The contractor's legal counsel opinion, stating the change of name was properly effected under applicable law and showing the effective date; and

- A list of all affected contracts and purchase orders remaining unsettled between the contractor and the Government.

The paying office designated in the contract shall make payment to the vendor based on the contract modification after receipt of the said modification, a properly executed invoice, and a receiving report.

C. Certified Invoices

A certified invoice is an invoice signed by a CO and/or a contracting office customer, attesting to the fact that the contractor has delivered the required goods or services. Once certified, it is then sent to DFAS for payment. Although there is no regulatory requirement for the Government to certify invoices, many operational contracting organizations and customers are doing so. This, according to DFAS metrics, delays significantly the vendor payment process and unnecessarily increases the risk of incurring interest on the payment.

Typically, only invoices for construction contracts and cost reimbursement contracts are certified. Requiring certification on others is redundant when using DD Forms 250 and 1155, or SF 1449, to show receipt of goods and services.

Requiring contractors to send an original invoice to the appropriate DFAS location is the most expeditious manner in which to ensure prompt payment. The responsible contracting office and any necessary functional offices should receive only copies of invoices. Exceptions may be authorized when the billing for a requirement is complex and necessitates the CO's intervention.

D. Bankruptcy

When an office (typically contracting, financial management, or legal) first learns of bankruptcy proceedings that may involve or affect the Air Force, that office shall—as a minimum—provide notice to its supporting contracting, financial management, and legal offices. Once the contracting and legal offices are notified, they must work as a team to carry out certain responsibilities. (See [Bankruptcy Guide](#))

One responsibility is to make an assessment of each of the debtor's contracts and determine if the Air Force has a claim or potential claim against the debtor/contractor (i.e., based on unliquidated progress payments, nonconforming goods, estimated excess procurement costs, etc.), and whether the contract is ongoing, closed, terminated, or otherwise in litigation.

On contracts where the Air Force has no claim or potential claim against the contractor, the CO may resume payments to the contractor only for amounts due post-petition. The “petition date” is the date on which the bankruptcy was filed with the court. Post-petition payments are only for debts based on work performed, or goods delivered, after the debtor/contractor filed for bankruptcy. If an invoice does not clearly indicate whether it is based upon pre-petition or post-petition performance, the CO should contact the debtor’s/contractor’s billing office—prior to making any payments—to request invoicing that clearly identifies whether the requested payment is for pre- or post-petition work. It is the debtor’s/contractor’s responsibility to split invoices into pre-petition and post-petition billing when a particular job spans the bankruptcy filing date. The supporting attorney will need to assist the CO in obtaining appropriate invoices if the billing is being conducted by the trustee or the debtor’s/contractor’s bankruptcy counsel.

NOTE: CO’s must work closely with DFAS to ensure post-petition payments reference only those post-petition invoices approved and forwarded by the CO for payment. Be aware that DFAS’s normal business practice may be to pay the oldest invoice on file first. Inadvertent payment of pre-petition invoices, versus the intended post-petition invoices, may result in the Government’s loss of security and, ultimately, reduce the potential for recovery of Government claims.

The CO should continue to withhold amounts due for pre-petition performance or deliveries while the Bankruptcy Branch of the Commercial Litigation Division of the Air Force Legal Services Agency (AFLSA/JACN) works with DFAS and the Department of Justice to determine if there are other Government claims which should be offset against those pre-petition amounts owed. Pre-petition debts are those amounts due for work performed, or goods delivered, before the bankruptcy petition was filed with the court. The CO shall not authorize pre-petition payments without prior coordination with, and approval from, AFLSA/JACN.

Appendix A

Glossary of Payment Terms and Acronyms

Accounting Classification Reference Number (ACRN). An ACRN is a two-position alpha or alphanumeric code used to relate the line of accounting to detailed line item information in the schedule.

Automated Contract Preparation System (ACPS). ACPS is the contract writing system used primarily at the AFMC air logistics centers.

Automated Payment of Invoices (API). API is an automated MOCAS process that calculates payment based on the unliquidated obligation amounts of a contract's ACRNs. This is also known as proration or proportional payments.

Bureau Voucher Notice (BVN). BVNs also go by the name of “interim vouchers” or SF1034, *Public Voucher for Purchases and Services Other Than Personal*. They are submitted to DFAS for interim financing/payment on cost reimbursement contracts and for final payment when the service has been completed and accepted.

ConWrite. ConWrite is the primary contract writing system for AFMC product centers, test centers, and laboratories.

DD Form 250 (DD250). A DD250, *Material Inspection and Receiving Report*, can be used in multiple functions for payment, in addition to an inspection and acceptance or receiving document.

Defense Finance and Accounting Service (DFAS). DFAS is responsible for accounting and payments for DoD services. DFAS-Columbus is the primary payment center for contracts that are administered by DCMC. All other contracts are paid locally at the installation's servicing DFAS operating location (OPLOC). <http://www.dfas.mil/>

Electronic Data Access (EDA). EDA is an interim Internet tool implemented by DFAS to allow on-line access to contracts and other documents. It is presently the paperless contract distribution solution for ConWrite-generated documents. See JEDA. <http://www.dfas.mil/ecedi/edstar/>

Electronic Data Interchange (EDI). EDI is the computer-to-computer exchange of routine business information in a standard format. The EDI transaction sets eliminate the need to re-enter critical contract data in the contract pay system and financial data in DFAS-administered accounting systems.

Financial Management Regulation (FMR). The DoD FMR is a compendium of financial management and payment information covering all aspects of military and civilian financial matters. <http://www.dtic.mil/comptroller/fmr/>

Joint Electronic Data Access (JEDA). JEDA is an enhanced version of EDA that will transmit contract attachments to DFAS.

Mechanization of Contract Administration Services (MOCAS). MOCAS is an integrated system supporting post-award contract administration. CAO offices, the payment office, contracting personnel, and funding stations utilize this system.

Menu Assisted Data Entry System II (MADES II). MADES II is an automated contract writing system that creates contractual documents for Central and Operational Contracting on the Wang Computer using the Federal Acquisition Regulation and its supplements.

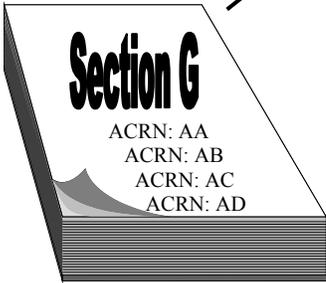
Standard Procurement System (SPS). SPS is the successor to the existing legacy contract writing systems and will consolidate such functions as electronic filing, creating electronic forms, and querying.

Unliquidated Obligation (ULO). ULO represents the unexpended funds on a contract.

Appendix B

API Process

Example Cost-Reimbursement Contract



ACRN: AA \$1,000
ACRN: AB \$2,000
ACRN: AC \$1,000
ACRN: AD \$1,000
[No specific payment direction to DFAS]



1. When a contract is received at DFAS, the Contract Input Technician reviews the document for any payment instructions.

2. The input technician enters the contract into MOCAS and records a Y(es) or N(o) in the Provisions Data Record screen, based on whether there are payment instructions in the instant action.

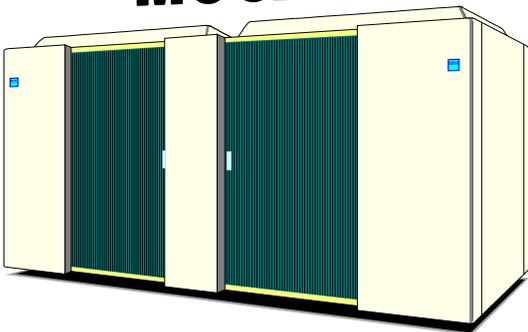
Provisions Data Record

CT1200

DISCNT-TRMS:
SPCL-TOOLING:
PMT-PCT:
LQD-DMG-IND:
INS-ACPT-CD:
BVN-INST-RQD: N
PROGPAY-INST-RQD: N

3. Based on the coding of N, all payments will be processed API by MOCAS.

MOCAS



4. When an interim payment request (e.g. BVN) arrives from the contractor, MOCAS automatically calculates payment. From the above example, payment will be prorated against the remaining unliquidated obligation (ULO) of the contract. Within 14 days, the contractor will receive a payment in the amount of \$1,000. The disbursement is composed of 20 percent of ACRN: AA; 40 percent of ACRN: AB; 20 percent of ACRN: AC; and 20 percent of ACRN: AD.

Appendix C

HQ AFMC Policy Memo on Progress Payment Distribution, 2 Sep 98

With attachment by SAF/AQC and OUSD (DDP)

MEMORANDUM FOR SEE DISTRIBUTION

2 September 1998

FROM: HQ AFMC/PKP
4375 Chidlaw Road, Suite 6
Wright-Patterson AFB OH 45433-5006

SUBJECT: Progress Payment Distribution

1. Beginning 1 September 1998, contracts awarded with the provision for progress payments shall contain financing payment distribution instructions in Section G of the applicable instrument. Specifically, this policy applies to fixed-priced contracts other than Firm-Fixed Price when multiple appropriations are cited on the contract. This policy was issued 12 August 1998 by the Director of Defense Procurement (DDP).
2. In the attached memorandum of 28 August 1998, SAF/AQC provides general guidance for executing this new policy in conjunction with specific procedures by the Defense Contract Management Command (DCMC) for providing progress payment instructions to the paying office.
3. Good communication among the originating contracting office, the contract administration office, and the paying station (DFAS) will be essential for successful implementation of this policy.
4. The point of contact for this policy and other command-wide payment issues is Mr. Tony Armes, HQ AFMC/PKPC. He can be reached at DSN 986-0447, commercial (937) 656-0447, or e-mail: armest@wpgate1.wpafb.af.mil.

FOR THE COMMANDER

//signed//

BONNIE D. TAYLOR
Acting Chief, Contracting Policy Division
Directorate of Contracting

Attachment:
SAF/AQC Memo, 28 Aug 98, w/Atch

ATTACHMENT

28 Aug 1998

MEMORANDUM FOR ALMAJCOM/FOA/DRU (CONTRACTING)

FROM: SAF/AQC
1060 Air Force Pentagon
Washington, DC 20330-1060

SUBJECT: Progress Payment Distribution

On 12 August 1998, the Director of Defense Procurement (DDP) issued a memorandum (attached) requiring that payment instructions for progress payments be provided to the Defense Finance and Accounting Service (DFAS). This policy is effective for fixed-priced contracts other than Firm-Fixed Price having multiple appropriations awarded after 31 August 1998.

Since the Administrative Contracting Officer is generally responsible for administering progress payments, the Defense Contract Management Command (DCMC) will be primarily responsible for executing this new policy. Their procedures will soon be incorporated as part of the Defense Contract Management Command's One Book, which is located at the web-site <http://www.dcmc.hq.dla.mil/Onebook/Index.htm>.

In some instances, Air Force Procuring Contracting Officers (PCOs) will retain contract administration authority. If so, he or she will be responsible to provide the payment instructions to the payment office in the basic contract or in a modification that precedes the request for progress payments. We suggest following DCMC's applicability criteria and instructions regarding how to distribute progress payments, referenced above.

Please note that when there are multiple ACRNs under a single appropriation, the contracting officer will further distribute the progress payment amounts by ACRN. This ACRN-level distribution will ordinarily be on a pro-rata basis, unless the contracting officer determines that another basis is appropriate. Also, distribution instructions for research and development contracts will assume that contractor work will be performed using the earliest fiscal year's funding first, unless there is information available to the contrary.

Before issuing a solicitation that will be covered by these new progress payment distribution procedures, the PCO should consider the impact of complex schedules (complicated CLIN structures, multiple ACRNs, mixed contract types, etc.) on the contract administration and payment functions. Input and advice from these functions may be appropriate. During contract administration, the PCO should cooperate with any ACO requests for additional information or assistance.

As the situation warrants, contracting officers may be required to modify their distribution instructions to ensure financing payments are distributed in accordance with the work being performed and as new appropriations are added to the contract.

Point of contract for this action is Mr. Paul A. Schill, SAF/AQCP, (703) 588-7053 or DSN 425-7053. His e-mail address is: *pschill@af.pentagon.mil*.

//signed//
TERRY L. RANEY, COL, USAF
Acting Associate Deputy Assistant Secretary
(Contracting)
Assistant Secretary (Acquisition)

Attachment:
OUSD (DDP) Memo, 12 Aug 1998

Appendix D

DoD Financial Management Regulation (FMR): (DoD 7000-14-R)

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Contract Payment Policy and Procedures

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<http://www.dtic.mil/comptroller/fmr/10/index.html>