DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 10: "CONTRACT PAYMENT POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 10, CHAPTER 1: "FINANCIAL CONTROL OF VENDOR AND CONTRACT PAYMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated June 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
010101	Updated the chapter's purpose to be more representative of chapter's focus and policy contained therein.	Updated
010102	Updated the chapter's scope to be more representative of its applicability and its relationship to other related chapters in the Department of Defense Financial Management Regulation (DoD FMR).	Updated
010202	Added a Federal Standards paragraph under the Internal Control (IC) section, highlighting the Government Accountability Office issued IC standards.	Add
010203.B	Updated the reference to functional system requirements that reside under the Deputy Chief Management Officer within the Business Enterprise Architecture.	Updated
010301	Restructured the prevalidation policy paragraph into separate sections to distinquish key points.	Updated
010301.D	Added a reference to DoD FMR Volume 3, Chapter 8 under the Prevalidation section to add policy to address unrecorded obligations and the remedy that can be performed by the accounting office.	Add
010401	Provided Defense Federal Acquisition Regulation Supplement exceptions to the standard limitations involving undefinitized contracts.	Add
010402	Added contractor notification requirements under the Federal Acquisition Regulation when costs exceed the established cost estimate thresholds for both fully and incrementally-funded contracts.	Add

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CHAPTER 1

FINANCIAL CONTROL OF VENDOR AND CONTRACT PAYMENTS

0101 GENERAL

*010101. Purpose

This chapter sets forth policy necessary to ensure internal controls are adequately established per stated laws and regulations for the entitlement and payment of goods and services. In addition, contract clauses have been outlined that may impose limitations on entitlement to financing or invoice payments.

*010102. Scope

Department of Defense (DoD) officials are responsible for ensuring DoD organizations maintain control of payments made to vendors and contractors. Internal control and limitation requirements are necessary to ensure payments are based on terms and conditions contained in accepted purchase orders, contracts, and unilateral and bilateral modifications. Volume 10 includes policies for issuing payments on entitlement; preparing payment vouchers; and keeping contract, disbursement and accounting records complete, consistent and accurate. Related policy and standards for recording obligations, resolving unmatched disbursements and negative unliquidated obligations, and posting budgetary accounting entries, respectively, are in Volume 3, Chapters 8, 11, and 15. Policy regarding accounting for payables is in Volume 4, Chapter 9. Policy regarding disbursement vouchers, accountable officials and certifying officers, respectively, is in Volume 5, Chapters 11 and 33. Antideficiency Act violations are addressed in Volume 14, Chapter 2.

0102 INTERNAL CONTROLS

The importance of internal controls is addressed in many statutes, regulations, and DoD executive documents which include the ***Federal Managers Financial Integrity Act (FMFIA)***, ***Office of Management and Budget (OMB) Circular A-123***, DoD Financial Management Regulation Volume 1, Chapter 3, and ***DoD Instruction 5010.40***.

010201. Statutory Compliance

The FMFIA establishes overall requirements with regard to internal controls where the DoD Component Head is charged with establishing controls to reasonably ensure that:

A. Obligations and costs are in compliance with applicable laws;

B. Funds, property, and other assets are safeguarded against waste, loss, unauthorized use or misappropriation; and

C. Revenues and expenditures, applicable to DoD operations, are properly recorded and permit the preparation of reliable financial and statistical reports to maintain accountability over assets.

*010202. Federal Standards

The FMFIA requires the Government Accountability Office (GAO) to issue standards for internal control in government. Refer to ***GAO Standards for Internal Controls in the Federal Government***. These GAO standards provide the overall framework for establishing and maintaining internal control and for identifying and addressing major performance and management challenges and areas at greatest risk of fraud, waste, abuse, and mismanagement. In implementing these standards (identified below), financial managers are responsible for developing the detailed policies, procedures, and practices for contract and vendor pay entitlement operations and ensuring they are built into and are a continuous integral part of on-going operations.

A. Control Environment. Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.

B. Risk Assessment. Internal controls should provide for an assessment of the risks the DoD faces from both external and internal sources.

C. Control Activities. Internal control activities help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing DoD's control objectives. Examples of control activities include:

1. Top level reviews of actual performance;

2. Reviews by management at the functional or activity level;

3. Management of human capital;

4. Controls over information processing;

5. Physical control over vulnerable assets;

6. Establishment and review of performance measures and indicators;

7. Segregation of duties;

8. Proper execution of transactions and events;

9. Accurate and timely recording of transactions and events;

10. Access restrictions to and accountability for resources and records; and

11. Appropriate documentation of transactions and internal controls.

D. Control Activities Specific for Information Systems

1. General Controls. This category includes entity-wide security program planning, management and control over data center operations, system software acquisition and maintenance, access security, and application system development and maintenance. The OMB prescribes policies and standards for executive departments and agencies to follow in developing, operating, maintaining, evaluating, and reporting on financial management systems (***OMB Circular A-127-Revised, "Financial Management Systems"***). Systems managers are responsible for ensuring that system controls are documented, tested, and certified for entitlement systems (refer to Volume 10, Chapter 17, paragraph 170102).

2. Application Controls. These controls are designed to help ensure completeness, accuracy, authorization, and validity of all transactions during application processing. Control should be installed at an application's interface with other systems to ensure that all inputs are received and are valid, and outputs are correct and properly distributed. An example is computerized edit checks built into the system to prevent a disbursement greater than the entitlement and available funding from occurring.

E. Information and Communication. Information should be recorded and communicated to management and others within the DoD who need it, and be in a form and within a time frame that enables them to carry out their internal control and other responsibilities. Effective communication should occur in a broad sense with information flowing down, across, and up the organization. In additional to internal communication, management should ensure there are adequate means of communicating with, and obtaining information from, external stakeholders that may have a significant impact on the DoD achieving its goals.

F. Monitoring. Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Internal controls should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. The monitoring should occur as a part of regular management, supervisory and staff activities, and may include comparisons and reconciliations, and reporting against established goals and strategic objectives.

*010203. Regulatory Compliance

It is the policy of DoD to make payments and collections that are timely and accurate in accordance with applicable laws and regulations. These laws and regulations include requirements for identification, reporting, and reduction of improper payments (refer to Volume 4, Chapter 14 and Volume 5, Chapter 6, section 0603). In addition, financial managers with responsibilities for ensuring internal controls are established and functioning properly to comply with this policy shall:

A. Create, document, and maintain an organizational structure and business processes that appropriately segregate assigned duties, emphasize adherence to policies and procedures, and employ sound internal accounting and system access controls;

*B. Implement finance and accounting systems that comply with the federal financial management systems requirements, maintain accurate and complete accounting and entitlement records from contract execution through closeout, and monitor the causes of late payments and interest penalties incurred. The complete listing of financial management system requirements for payment management systems is in the ***Business Enterprise Architecture***, maintained by the Deputy Chief Management Officer (DCMO). Efforts to develop or modify a critical financial management system (see Volume 1, Chapter 3) shall be subject to the financial and feeder systems compliance process;

C. Establish systematic controls that provide adequate audit trails to allow the tracing of financial events from source documents to general ledger account balances through successive levels of summarization and financial reports/statements. Ensure all transactional data is processed using accurate coding, and errors are researched and corrected; and

D. Employ systems that ensure the authenticity of electronically transmitted data, including the electronic signature. Such controls shall provide reasonable assurance that deliberate or inadvertent manipulation, modification, or loss of data during transmission is detected (see Volume 10, Chapter 17).

010204. Periodic Reviews

Managers with responsibilities for determining entitlements, authorizing, or executing payments and collections must:

A. Periodically (minimum annually) validate cash management and payment performance quality and effectiveness; and

B. Periodically (minimum annually) test effectiveness of internal controls, document results of testing, and take necessary corrective actions (see ***OMB Circular A-123, Management's Responsibility for Internal Controls***).

0103 PREVALIDATION

*010301. General

Prevalidation is the process of matching the planned disbursement with a recorded obligation before the financing or invoice payment is made, and is intended to minimize the occurrence of problem disbursements and Antideficiency Act violations (see Volume 14, Chapter 2).

A. Obligations (and any adjustments) must be established and recorded for the amounts of orders placed and contracts awarded that will require payment in the current or some future accounting period, as prescribed in Volume 3, Chapters 8 and 15.

B. Liabilities for payment, including accounts payable, must be established as prescribed in Volume 4, Chapters 8 and 9.

C. Prior to payment, the undisbursed balance of each applicable obligation must be sufficient to cover the amount of the planned disbursement, as well as all previously scheduled disbursements (see Volume 3, Chapter 11).

*D. Situations may occur when an entitlement office receives a payment request before fund managers have recorded the obligation in the accounting system, resulting in the inability to accomplish prevalidation. Policy addressing this situation exists in Volume 3, Chapter 8 (paragraphs 081301 and 081302) and it directs the accounting office to immediately record a valid obligation based upon documents in its possession for amounts that are $2,500 or less. If the accounting office records this obligation before payment, or if actions required to remedy unrecorded obligations greater than $2,500 as outlined in Volume 3, Chapter 8 (section 0813) are performed, a subsequent prevalidation prior to making the disbursement is not required.

010302. Thresholds

The following thresholds have been established for Non-Mechanization of Contract Administration Services (non-MOCAS) and MOCAS payments.

A. All non-MOCAS payments shall be prevalidated.

B. The following prevalidation thresholds shall be used for MOCAS payments:

1. All dollar value payments made on contracts awarded after Fiscal Year (FY) 2004 are to be prevalidated.

2. For contracts issued during FY 2004 and prior, payments greater than $5,000 are to be prevalidated.

0104 PAYMENT LIMITATIONS

The following contract clauses, when applicable, may impose limitations on entitlement to financing or invoice payments.

*010401. Limitation on Undefinitized Contracting Actions

In accordance with ***Federal Acquisition Regulation (FAR) 16.603-4***, letter contracts shall include ***FAR clause 52.216-24*** among others. Under the terms stated in this clause, the

maximum amount of the Government's obligation is the amount specified in the clause. However, if a contractor submits a qualifying proposal before 50 percent of the not-to-exceed price has been obligated by the Government, then the limitation on obligations before definitization may be increased to no more than 75 percent (see ***Defense Federal Acquisition Regulation Supplement (DFARS) 217.7404-4*** and related ***DFARS clause 252.217-7027***). However, some exceptions apply for purchases of initial spares, and contingency operations as well as humanitarian or peacekeeping operations. See ***DFARS 217.7404-5***. According to the ***DFARS 217.7401(b)***, "definitization" means the agreement on, or determination of, contract terms, specifications, and price, which converts the undefinitized contract action to a definitive contract. Also, ***DFARS 217.7401(d)*** states an "undefinitized contract action" means any contract action for which the contract terms, specifications, or price are not agreed upon before performance is begun under the action. Examples are letter contracts, orders under basic ordering agreements, and provisioned item orders, for which the price has not been agreed upon before performance has begun.

*010402. Limitation of Cost or Funds

The basic requirements for contract funding are described in ***FAR Subpart 32.7***, and as supplemented by ***DFARS Subpart 232.7***. No officer or employee of the government may create or authorize an obligation in excess of the funds available or in advance of appropriations (see Volume 14, Chapter 2). The contracting officer shall expressly condition contracts on the availability of funds. Fully-funded cost-type contracts may include ***FAR clause 52.232-20***, or incrementally funded cost-type contracts may include ***FAR clause 52.232-22***. Under the terms stated therein, the government's obligation to the contractor (and the contractor's obligation to perform) is generally limited to the funds allotted to the contract. Both FAR contract clauses require the contractor to notify the contracting officer 60 days (or as otherwise directed by the contract) prior to the date when it is expected that incurred costs will exceed 75 percent (or 85 percent if specified by the contract) of contract estimated costs for fully-funded cost contracts or amounts allotted to the contract for incrementally-funded cost contracts.

010403. Limitation on Withholding of Payments

In accordance with ***FAR Subpart 32.111(b)(2)***, noncommercial supply, research and development, service, time and materials or labor hour contracts that include two or more terms that authorized temporary withholding of amounts otherwise payable shall include ***FAR clause 52.232-9***. Under the terms stated therein, the total amount that may be withheld at any one time shall not exceed the greatest amount that may be withheld under any one clause or contract Schedule term at the time. This limitation does not apply to withholding under any clause related to employee wages, the recovery of overpayments, withholdings not specifically provided for by the contract, or to any withholding for which the contracting officer determines the limitation would not be appropriate.

010404. Limitation of Government's Obligation

In accordance with ***DFARS 232.705-70***, incrementally funded fixed-price contracts (one or more incrementally funded contract line items) shall include ***DFARS clause 252.232-7007***. Under the terms stated therein, the government's obligation to the contractor for the

incrementally-funded Contract Line Item Number(s) (CLIN(s)) (and the contractor's obligation to perform) generally is limited to the funds allotted. The contract clause requires the contractor to notify the contracting officer 90 days (or as otherwise directed by the contract) prior to the date when the work will approximately reach 85 percent of the amount then allotted.

VOLUME 10, CHAPTER 2: "DISCOUNT OFFERS AND REBATES/REFUNDS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Provided a number of small administrative changes to refresh links, improve grammar and standardize formatting.	Updated
020302.D	Added link for Public Law 110-116, Section 8067 reference which provides guidelines for purchase card rebates and where they may be credited.	Add

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CHAPTER 2

DISCOUNT OFFERS AND REBATES/REFUNDS

0201 OVERVIEW

020101. Purpose

This chapter prescribes the policy for processing discounts and government purchase card (GPC) rebates. Travel card rebates are addressed in Volume 9, Chapter 3 of this Regulation, and rebates associated with transportation payments made using a Third Party Payment System (TPPS) are addressed in Chapter 13 of this volume. This chapter also provides information on determining if discounts should be taken and provides information on rebates offered by GPC issuers to encourage early payment.

020102. Scope

Vendors and contractors offer discounts and banks issue various government purchase cards that provide rebates to encourage early payment of their receivables. The Department of Defense (DoD) will take advantage of the discount and rebate offers only when it is economically justified and advantageous to the DoD. The DoD will follow the supporting guidelines for taking discounts and rebates found in ***Title 5 of the Code of Federal Regulations (CFR) 1315***, ***Federal Acquisition Regulation (FAR) Subpart 32.906(e)***, and ***Office of Management and Budget (OMB) Circular A-123, Appendix B, Chapter 7***.

0202 DEFINITIONS

020201. Discount

A discount is an invoice payment reduction offered by the vendor for early payment. See 5 CFR 1315.2(n).

020202. Discount Date

The discount date is the date by which a specified payment reduction, or discount, may be taken in accordance with the discount terms. See 5 CFR 1315.2(o).

020203. Discount Period

The discount period is the period during which a discount may be taken. The discount period begins from the invoice date placed on a proper invoice by the vendor. If the vendor did not include the invoice date on the invoice, the discount period will begin on the date a proper invoice is actually received and date stamped or otherwise annotated by the designated agency office. See 5 CFR 1315.7(d) and 5 CFR 1315.9(b). The discount period ends on the discount date. When the discount date falls on a weekend or legal holiday, the discount may be taken if payment is made on the next business day. See ***FAR 32.906(e)***.

020204. Effective Annual Discount Rate

The effective annual discount rate is the annualized value of the discount offered during the discount period. The DoD will take the discount when this rate equals or exceeds the Treasury Current Value of Funds Rate (CVFR). Use the ***Treasury's Financial Management Service (FMS) Discount Calculator*** to determine if it is economically justified to accept a discount offered by a vendor. The conversion formula used to calculate an effective annual discount rate is found in ***Treasury Financial Manual (TFM) Volume 1, Part 6, Section 8040.40*** and is calculated as follows:

Discount %	X	Annual Calendar days (360)	=	Effective
1.00 – Discount %		Number of Days In the Payment Period – (MINUS) Number of Days Left in Discount Period		Annual Discount Rate

020205. Entitlement Office

The entitlement office is the designated activity to authorize the release of funds or other benefits to those with legally established rights granted by law or by agreement through contract. The entitlement office may also be known as the payment office.

020206. Rebate/Refund

A rebate is a monetary incentive offered to the DoD by GPC issuers to pay monthly GPC billing statements early. See 5 CFR 1315.2(aa). The current General Services Administration (GSA) contract offers productivity refunds based on timeliness and/or frequency of payments and sales refunds based on the dollar volume during a specified period. The terms "rebate" and "refund" have been used interchangeably throughout the CFR, the TFM, OMB guidance, and existing legislation.

020207. Trade-in

Merchandise accepted as partial payment for a new purchase is referred to as trade-in property.

020208. Treasury Current Value of Funds Rate (CVFR)

The CVFR is used to assess interest charges for outstanding debts owed the government, to evaluate the cost-effectiveness of a cash discount, and to determine when agencies should pay purchase card invoices when a rebate is offered by the card issuer. See the ***Treasury's FMS website*** for current and historical CVFR rates.

0203 POLICY

020301. Discounts

A. If a DoD Component is offered a discount by a vendor, whether stipulated in the contract or offered against an invoice, a DoD Component should take the discount if economically justified but only after acceptance has occurred. See 5 CFR 1315.7(a). ***FAR Subpart 32.111(b)*** requires ***FAR Contract Clause 52.232-8, "Discounts for Prompt Payment"***, be included in all fixed price supply and service contracts. The contractor may extend the discount period or increase the discount percentage beyond a previous offer. The offer may be in writing or it may be oral for specific invoices. If the offer is oral, then the entitlement office must attach to the invoice a conversation record with the name and position of the person offering the discount, the discount terms, the person's telephone number, and the date of the offer. The entitlement office has the option of requiring written confirmation of the verbal offer.

B. Payment offices shall schedule discount payments as close to, but not later than, the last day of the discount period. Payment is considered to be made on the date printed on the check itself, or on the electronic fund transfer (EFT) settlement date, per 5 CFR 1315.4(h). If the paying office cannot apply the discount, payments shall be made in accordance with the guidelines prescribed in 5 CFR 1315.4(g).

C. A discount is advantageous to the DoD when the discount terms yield an effective annual discount rate that equals or exceeds the CVFR. As an example, using the discount rate calculator, input the terms of an invoice received in 2012 (2/10 net 30, with 4 days remaining in the discount period). (.02/1-.02 X 360/30-4 =28.3) This example is advantageous to the DoD because the calculated effective annual discount rate of 28.3 percent exceeds the year 2012 CVFR of 1 percent. DoD Component payments systems have incorporated procedures that take advantage of cash discounts as a matter of routine, which eliminates any need for special handling. Such discounts will be taken when the discount terms applied in the conversion formula result in an effective annual interest rate equal to, or greater than the CVFR.

D. Discounts shall not be taken when the payment is made after the discount date. See 5 CFR 1315.7(b). When an agency takes a discount after the discount date, interest will be paid on the amount of the discount taken. Interest will be calculated for the period beginning the day after the specified discount date through the date of payment of the discount erroneously taken, as prescribed in 5 CFR Part 1315.10(a)(6).

E. When the discount terms in the contract and the invoice differ, DoD Components shall take the most cost effective discount.

F. Compute discounts on the approved gross amount of the invoice, except as noted below.

1. Deduct taxes or freight charges that are separately listed.

2. Deduct taxes that are not proper charges under international or status of forces agreements.

3. Discounts may be taken on amounts legally withheld and later released if related amounts were paid in accordance with the discount terms. The discount period for the released payment will begin when the entitlement office receives notification of the release.

4. Compute the discount on the actual cash balance due when there is a trade-in.

5. When the entitlement system has the capability to trace and pay individual line items on an invoice, the invoice may be split into multiple payments. Each line item must meet the receipt and acceptance requirements to take advantage of the discount offered against the invoice.

6. Contract or purchase order modifications may change or add discount terms or retroactively increase the dollar amount of line items that were previously paid. Take the discount on any subsequent payment that is made by the new or revised discount date when new or revised discount terms apply.

7. The following procedures apply when a contract for supplies, services, research and development, or construction includes ***FAR 52.211-11, 12, or 13*** and liquidated damages apply.

a. Where liquidated damages apply and the contract or invoice also contains an offer of discount for early payment, the liquidated damages shall be computed on the basis of the gross contract price and deducted without regard to the discount. Likewise, compute the discount on the gross contract price without regard to the amount of liquidated damages.

b. Where liquidated damages apply to a price that is modified and the contract contains an offer of discount for early payment, compute both the liquidated damages and the discount based upon the modified price without regard to each other.

G. After a progress payment has been made, the government is entitled to a discount on any part of delivery payments applied in liquidation of progress payments.

1. The discount would still apply in instances in which the discount period has expired on the balance due on the partial delivery.

2. When contracts have Free On Board (FOB) Origin terms, payments made prior to delivery of supplies to the carrier, or delivery to the destination, are entitled to the discount offered on the contract.

3. The contractor has had the use of these funds and the finance officer is entitled to take a prompt payment discount on them at the time they are recouped.

4. If the discount is offered for the first time on an invoice and the contract does not have a discount clause, then do not take the discount on the progress payment liquidation portion of the invoice.

H. In rare instances, the contractor may offer a voluntary discount after a contract is completed, including final payment. These discounts are distinguished from early payment and volume discounts in that voluntary discounts are discretionary with the contractor and do not reduce the amount obligated against the paying appropriation. Do not treat discounts received after payment as rebates. Such discounts should be deposited in the Miscellaneous Receipts Account of the United States Treasury.

020302. Rebates/Refunds

A. GPC billing statements should be paid as soon as administratively possible when the rebate offered is greater than the cost of funds as defined in 5 CFR 1315.8. The contractor calculates the rebate and returns that amount to the DoD customer designated in the contract. DoD Components will employ the necessary internal controls to identify and collect corrective rebates according to guidance found in ***OMB Circular A-123, Appendix B, Chapter 7***.

B. The Defense Finance and Accounting Service (DFAS) shall determine and publish GPC payment dates based on an analysis of the total costs and total benefits to the federal government as a whole. When calculating costs and benefits analysis, consideration is given to the cost of early payment. This cost is the interest amount the DoD will earn at the CVFR for each day the payment is not made. Specifically a comparison will be made between the daily basis points offered by the card issuer and the corresponding daily basis points of the Treasury's CVFR. DoD Components should forward their approved GPC billing statements to allow sufficient time to process the payment, receive a rebate for early payment and avoid interest penalties per 5 CFR 1315.8.

C. DoD Components may use the ***Treasury FMS' Rebate Spreadsheet*** which automatically calculates the net savings to the government and whether the DoD Component should pay earlier than the normal contractual payment terms. The only variables required for input to this spreadsheet are the CVFR, the Maximum Discount rate, that is, the rate from which daily basis points offered by the card issuer are derived, and the amount of debt. If the DoD Component elects not to use the spreadsheet, a manual computation can be performed as described in 5 CFR 1315.17.

* D. Under OMB Circular A-123, Appendix B, unless specific statutory authority exists allowing refunds to be used for other purposes, refunds will be returned to the appropriation or account from which they were expended, and can be used for any legitimate purchase by the appropriation or account to which they were returned, or as otherwise authorized by statute. Pursuant to permanent authority enacted in the Fiscal Year 2008 DoD Appropriation Act, ***Public Law 110-116, Section 8067***, DoD rebates attributable to the use of the Government

purchase card may be credited to operation and maintenance, and research, development, test and evaluation accounts which are current when the rebates are received. For example, if a rebate is received in the new fiscal year against a bill that was paid in September of the previous fiscal year, the rebate may be credited to the operations and maintenance and/or research, development, test and evaluation account(s) current after October 1 of the new fiscal year. This includes the operational portion of a nonappropriated or working capital account.

VOLUME 10, CHAPTER 3: "CONTRACTUAL CLAIMS"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Various	Revised for clarity, no policy changes made.	Update
Title	Revised the title of the chapter from "Conditions Affecting Contractual Claims" to "Contractual Claims".	Update
030201.A and 030301.C	Revised reference from Title 41 United States Code (USC) Section 15 to 41 USC 6305 because of the renumbering of the Title.	Update
030208	Revised reference from Central Contractor Registration (CCR) to System for Award Management (SAM).	Update

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CHAPTER 3

CONTRACTUAL CLAIMS

0301 OVERVIEW

030101. General

This chapter prescribes financial management policy relating to contractual claims against the United States, which must be adjudicated by the responsible party before payment is made or denied. This chapter also addresses the assignment of claims, name change agreements and claims that fall under the Contract Disputes Act (CDA). It also includes the regulatory authority, required documentation, and the responsibilities of the agencies involved.

030102. Authority

Section 3727 of Title 31, United States Code (USC) (31 USC 3727) provides statutory requirements concerning the assignment of claims and ***41 USC 7101-7109*** provide statutory requirements for contracts in dispute. ***Federal Acquisition Regulation (FAR) Parts 32 "Contract Financing"*** and ***42 "Contract Administration and Audit Services"*** govern claims for monies due, or to become due, under government contracts. Specific criteria and required documentation for payment of valid claims are identified in these provisions and included in this chapter.

030103. Internal Controls

Internal controls must be in place to ensure that duplicative or erroneous payments do not occur (for regulatory compliance, refer to Volume 10, Chapter 1). Managers with responsibilities for determining entitlements, authorizing, or executing payments and collections must perform periodic (minimum annual) risk assessments to ensure that sufficient management control mechanisms are available so that Department of Defense (DoD) funds are spent appropriately and in accordance with all applicable laws and regulations. See Volume 4, Chapter 14 for additional guidance related to improper payments and related risk assessments.

0302 ASSIGNMENT OF CLAIMS

*030201. Conditions for Assignment of Claims

The ***FAR Subpart 32.8*** prescribes policy for the assignment of claims, which refers to the transfer by the contractor of its right to be paid by the government for contract performance to a bank, trust company, or other financing institution, as security for a loan made to the contractor.

*A. The authorization to assign claims to banks, trust companies, or any financing institution (including federal lending agencies) of monies due, or to become due, under government contracts totaling $1,000 or more is prescribed by ***41 USC 6305*** and 31 USC 3727, if not prohibited in the contract and when the requirements of 31 USC 3727(c) are met.

B. A contract may prohibit the assignment of claims if the agency determines the prohibition to be in the government's interest per FAR 32.803(b).

C. When a contractor is paid by the government purchase card, the contractor may not assign their rights under the contract as prescribed by ***FAR 52.212-4(b)***.

D. Unless otherwise expressly permitted in the contract, the assignment must:

1. Cover all amounts payable under the contract not already paid;

2. Not be made to more than one party, except that it may be made to a party as agent or trustee for more than one party participating in the financing.

E. If an agency pays a party other than the assignee when an assignment has been properly filed, it may result in government liability to the assignee.

1. When such an error occurs, the agency remains liable to the assignee for the amount of the payment, subject to potential defenses.

2. The agency will initiate collection against the payee for any erroneous payment.

F. See FAR Subpart 32.8 and the ***Defense Federal Acquisition Regulation Supplement (DFARS) 232.8*** for additional guidance concerning the assignment of claims.

030202. Actions Required for Assignment of Claims

A. The assignee will forward a true copy of the Instrument of Assignment, which is a certified duplicate or photocopy of the document with no alterations or changes, and an original and one copy of the Notice of Assignment to the payment office designated in the contract to make payment.

B. The surety, if any, will return an acknowledged copy of the Notice of Assignment to the assignee, who will forward copy to the payment office cited in the contract.

C. If the contracting officer determines that the assignment is valid, then the designated payment office acknowledges the Notice of Assignment and takes the required action as detailed:

1. Acknowledge and return to the assignee the copy of the Notice of Assignment and file the true copy of the Instrument of Assignment and the original Notice of Assignment.

2. Pay assignees only after receipt of these assignment documents:

a. Copy of the Notice of Assignment acknowledged by the contracting officer,

b. Copy of the signed notice and a true copy of the Instrument of Assignment from the assignee, and

c. Copy of the notice acknowledged from the surety or sureties, if any. The copy is received from the surety or sureties via the assignee.

D. If the contracting officer rejects the assignment, then the payment office returns the acknowledged notice and copy of the assignment to the assignee. The office advises that the assignment cannot be recognized for the reasons stated by the contracting officer.

030203. Letter Contracts

When assignments of claims under letter contracts are made, notices (with copies of assignments) are given to contracting officers and payment offices.

A. If a letter contract is assigned, then that assignment is not voided by a subsequent definitization of the contract.

B. Contracting officers and payment offices accept, receipt for, and honor the assignment of the proceeds of a definitive contract superseding a letter contract.

030204. Open-End, Call-Type, or Indefinite Delivery-Type Contracts

Assignment of claims under Open-End, Call-Type, or Indefinite Delivery-Type Contracts are authorized, provided orders of $1,000 or more are placed prior to the assignment; or the basic contract imposes a minimum obligation of $1,000 or more. When the payment office cannot determine whether an assignment of claims applies to an individual call or order under indefinite delivery-type contracts, the office withholds payments until the contracting office determines the status and validity of the assignment. See ***FAR Subpart 16.1*** for information concerning contract types.

030205. Basic Ordering Agreements

A notice of assignment will not be acknowledged based solely on a basic ordering agreement because the basic ordering agreement is not a contract between the government and contractor. The contracting office returns the notice and a copy of the assignment to the assignee and advises that assignments may be acknowledged on individual orders of $1,000 or more. It should be noted that Basic Ordering Agreements require a Notice of Assignment for each delivery order/supplemental procurement identification number. If there is any doubt on any of these types of contracts, then the contracts should be referred to a legal office for determination.

030206. Special Considerations for Assignments of Claims

The following are special considerations:

A. Two assignments of the same contract cannot exist without a release from the first assignment. A second assignment may be made after releasing the first assignment and notifying the original parties. See FAR 32.805 for further guidance.

B. If the amount of the contract is increased, then it is not necessary to execute an additional assignment.

C. The date of assignment cannot be before the date of the contract.

030207. Release of Assignment of Claims

A release of an assignment is required whenever there has been a further assignment or reassignment. A release is also required when the contractor wishes to establish a right to receive payments after the contractor's obligations to the assignee has been satisfied and a balance remains due on the contract.

A. If the assignee releases the contractor from an assignment of claims under a contract, the contractor must file a written notice of release together with a true copy of the release of assignment notice to the same offices noted in 030202.A.

B. The contracting office:

1. Signs and returns a copy of the release notice to the contractor.

2. Files the true copy of the instrument of release of assignment and the original release notice with the contracting office's copy of the contract. The contracting officer and surety's acknowledgment are required. See FAR 32.805(e) for additional guidance.

3. Signs, dates, and returns the receipt, if applicable, to the assignee.

C. The payment office makes remaining payments to the contractor once it receives these release documents:

1. A true copy of the instrument of release of assignment, and

2. The original and two copies of the release notice.

*030208. Electronic Funds Transfer

If a contractor attempts to change the identity of the payee by changing Electronic Funds Transfer (EFT) or other information in ***System for Award Management (SAM)*** without complying with the rules governing novations and assignment of claims, the payment

information will be incorrect within the meaning of the "Suspension of Payment" paragraph of the EFT clause in the contract ***(FAR Subpart 4.1102(c))***.

0303 NOVATION AND CHANGE OF NAME AGREEMENTS

*030301. Legal considerations:

A. A novation agreement is a legal instrument executed by all of the following: the contractor (transferor), the successor in interest (transferee), and the United States Government. 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. See ***FAR Subpart 42.12*** for additional information.

B. A change of name agreement is a legal instrument executed by the contractor and the government that recognizes the legal name change of the contractor without affecting the original contractual rights and obligations of the parties.

*C. Title 41 USC 6305 prohibits transfer of government contracts. However, the government may, in its interest, recognize a third party as the successor in interest to a government contract when the third party's interest in the contract arises out of the transfer of all the contractor's assets or the entire portion of the assets involved in performing the contract. Examples include, but are not limited to:

1. Sale of these assets with a provision for assuming liabilities,

2. Transfer of these assets incident to a merger or corporate consolidation, or

3. Incorporation of a proprietorship or partnership, or formation of a partnership.

030302. Contractor and Contracting Officer Responsibilities

The contractor provides evidence to the contracting officer responsible for processing and executing novation and change of name agreements.

A. The contracting officer enters into a bilateral modification to the contract, which changes the name of the contractor.

B. Questions regarding the novation and change of name agreements are referred to the contracting officer.

030303. Transfer of Contractual Obligation

When a contracting officer approves the transfer of a contractual obligation to another contractor, the transferor guarantees performance of the contract by the transferee (a satisfactory performance bond may be accepted instead of the guarantee).

A. A transferee assumes all the transferor's obligations under the contract and the transferor waives all rights under the contract against the government. See FAR 42.1204 for additional guidance.

B. When it is in the government's interest not to concur with the transfer of a contractual obligation from one company to another company, the original contractor remains under contractual obligation to the government.

0304 CONTRACT DISPUTES

030401. Contractor Claims

The Civilian Board of Contract Appeals (Contract Disputes Act of 1978 (CDA), (41 USC 7101-7109) allows federal government contractors to file a claim with the United States Government for monetary damages and other legal remedies related to their contractual dealings.

A. The CDA waives the government's sovereign immunity, permitting contractors to appeal a contracting officer's final decision to the appropriate board of contract appeals or file suit in the Court of Federal Claims.

B. Routine submissions for payment are not claims under the CDA. The submission may be converted to a claim, by written notice to the contracting officer as provided in ***FAR 33.206(a)***.

C. All claims by contractors against the United States Government must be a written demand or assertion submitted to the contracting officer for a decision. A contractor asserting a claim exceeding $100,000 must provide a certification as required by ***FAR 33.207(c)***.

030402. Interest Penalties

Interest on amounts due the contractor on claims under the CDA will be paid to the contractor from the date the contracting officer receives the claim or the date payment would otherwise be due, whichever is later (see FAR 33.208(a)). The interest rate is established by the Secretary of the Treasury pursuant to the ***41 USC 7109***. Interest rates applicable to CDA claims may be found on the ***Department of the Treasury's website***. Under the CDA, only simple interest is paid, as noted in FAR 33.208(b); compound interest (interest on interest) is not paid under the CDA.

030403. Questionable and Fraudulent Claims

A. If any part of a claim that is attributable to misrepresentation of fact or fraud on the part of the contractor, then the contracting officer will refer the matter to the agency official responsible for investigating fraud in accordance with ***FAR 33.209***.

B. Fraudulent and questionable claims should not be paid. See Volume 5 Chapter 25 for additional information concerning fraudulent and questionable claims.

VOLUME 10, CHAPTER 4: "MISCELLANEOUS ADVANCE PAYMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated July 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Restructured the chapter to categorize advance payments and added minor editorial changes for clarity.	Update

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CHAPTER 4

MISCELLANEOUS ADVANCE PAYMENTS

0401 OVERVIEW

040101. Purpose

This chapter prescribes the principles and policy to be followed for miscellaneous advance payments. Advances do not include payments for which performance has occurred. Policy related to advances for intra-governmental acquisitions is covered in Volume 4, Chapter 5, "Advances and Prepayments", Volume 11A, Chapter 3, "Economy Act Orders" and Volume 11A, Chapter 18, "Non-Economy Act Orders".

040102. General

Advance payments in general are prohibited by ***Title 31, United States Code (U.S.C.), Section 3324***. Exceptions to the advance payment prohibition may be found in specific appropriation acts or other laws, or granted by the President, as outlined in 31 U.S.C. 3324.

0402 AUTHORITY

040201. Advance Payment Authority on Contracts

Under ***50 U.S.C. 1431***, advance payments may be made on national defense contracts, amendments, or modifications for extraordinary contract actions, subject to the requirements of law and the receipt of proper authorizations.

040202. Acquisition Provisions Addressing Advances

For additional instructions applicable to advance payment requirements for noncommercial items, refer to ***Federal Acquisition Regulation (FAR) Subpart 32.4*** and ***Defense Federal Acquisition Regulation Supplement Subpart 232.4***.

040203. Advance Payment Authority for Other Type Payments

Title 10, U.S.C. 2396 authorizes advances of public monies for compliance with foreign laws, rent in foreign countries, tuition, public utility services, pay and allowances, and supplies and services of Armed Forces of friendly countries.

0403 STATUTORY ADVANCE PAYMENTS

040301. General

Statutory advance payments are authorized by specific legislation.

040302. Printing and Binding

Advance payments for printing, binding or supplies are authorized by ***44 U.S.C. 310***.

040303. Subscriptions to Periodicals

Advance payment is authorized for subscriptions or other charges for newspapers, magazines, periodicals, microfilm libraries, and other publications for official use (31 U.S.C. 3324 (d)(2)). The total cost of the subscription is a valid charge to the appropriation for the fiscal year (FY) current at the time the subscription is ordered. Subscriptions may extend beyond current FY, begin in a subsequent FY, or extend for more than one FY.

040304. Tuition

Tuition payments may be paid in advance. The Government Employees Training Act, ***5 U.S.C. 4109***, provides general authority for advance tuition payments for civilian employees, and ***10 U.S.C. 2396(a)(3)*** authorizes advance tuition payments for military personnel. Tuition can be paid at the time of enrollment when required by the educational institution.

0404 INTRA-GOVERNMENTAL ADVANCE PAYMENTS

040401. General

Agencies may make intra-governmental payments in advance of performance as follows.

040402. Leased Office Space

One agency can furnish another agency a portion of its leased office space, and payment can be made in advance or on any other basis agreed upon for the proportionate cost of the space, utilities, and services furnished.

040403. Library Deposits

Library deposit accounts may be established with other Government Agencies' libraries that obtain government publications and subscriptions from other Federal Agencies (e.g., National Technical Information Service, United States Government Printing Office, or Library of Congress).

040404. Quarterly Advances to General Services Administration (GSA) for Special Purpose Leased Space

GSA bills for building rent in advance each quarter (October, January, April, and July). The charge is a fixed rate per square foot of space assigned based on costs of building operation and maintenance. Separate cost factors for utilities, rent, or elevator service need not be itemized on the bill.

040405. Rental of Post Office Boxes

Advance payment of post office box rental is authorized on an annual basis. All fees for post office box service are for a 6-month period. The fee may be paid for two periods at a time, not to exceed two consecutive 6-month periods. Federal Agencies whose payment period coincides with the Federal fiscal year may pay their box fees during the first quarter. The United States Postal Service will refund a portion of the rental when the box is surrendered before the end of the rental period. This policy applies to advance payments of box rentals made on a semi-annual or annual basis.

0405 OTHER PAYMENTS

040501. General

The following other advance payments have been determined to be authorized and not prohibited by Title 31 U.S.C. 3324:

040502. Attendance at Meetings

A. Payment of registration fees prior to attendance at meetings of technical, scientific, professional, or similar organizations may be made.

B. If the payment is nonrefundable and the individual fails to attend for reasons beyond the individual's control, then do not collect from the individual. If failure to attend is caused by an action not excused by the individual's supervisor, then registration fees must be collected from the individual.

040503. Payments to State and Local Governments

Advance payments to state and local governments for goods and services have been authorized on the basis that the established responsibility of these governmental units reduces to a minimum the possibility of loss to the Federal Government. This exception applies where the state or local government is furnishing noncommercial services reasonably available only from the state. Where services are readily available in the commercial market, the statutory advance payment restrictions apply to private contractors.

040504. Petition Fees

When a petition is made for immigrant status for a person whose services are required, the fee must accompany the petition. In this case, the fee is payable in advance.

040505. Professional Societies

Memberships in professional societies or associations acquired in the name of the DoD Component may be paid in advance. The purpose of the membership must be to acquire services required for that Component, not an individual. The head of an agency or designee makes the

determination. The use of appropriated funds is prohibited for the individual benefit of any officer or employee of DoD.

040506. Purchase of Copyrights or License to Use Patent for its Life

An advance payment may be made for a license to use a patent or for the purchase of a copyright. The subject matter of the purchase must be within the authorization of the current FY appropriation.

040507. Utility Connection Charges

Payment of a public utility connection or reconnection charge is not an advance payment. The Federal Government receives full consideration upon payment. The specified monthly refund of connection charges is deducted from service billings.

040508. Foreign Country Related Advances and Requirements

A. Postage. Foreign postage stamps may be purchased from imprest funds or by a ***Standard Form (SF) 1034, "Public Voucher for Purchases and Services Other Than Personal."*** When an SF 1034 is used, the originating office prepares and certifies the voucher and forwards it to the disbursing office. The disbursing office prepares a check and sends it to the originating office. The originating office purchases the stamps and provides the disbursing office with a receiving report. No receipt is necessary as the check endorsement acknowledges payment. When the SF 1034 is used, the prepayment is approved as an exception to normal accounting requirements.

B. Motor Vehicle Operator Permit Fees Overseas. Some foreign countries require personnel to obtain motor vehicle driver permits to perform their official duties. The fees for the permits may be paid in advance. The tour of duty in the foreign country should justify the expenditure.

C. Counsel Fees and Other Expenses in Foreign Courts.

1. Payment of counsel fees and other expenses in foreign courts may be paid before the service is performed.

2. Requests for payment of counsel, bail, or other expenses ordinarily will be made by the defendant, or accused, to the officer (or designee) exercising general court martial jurisdiction. The officer (or designee) determines if the request meets the proper criteria and then takes final approval or disapproval action.

3. When appropriate, contracts or letters of commission and understanding will be used to obligate the Government for payment of counsel fees, court costs, bail, and expenses for obtaining copies of records, printing and filing fees, interpreter fees, witness fees, and other necessary and reasonable expenses. The payment of fines or civil damages is not authorized. Payments of bail must be made when authorized in a letter or

message by the responsible officer and citing ***10 U.S.C. 1037*** as the authority. For payments of bail, establish a refund receivable pending return of the bail payment. Clear the refund receivable upon collection, or appropriate evidence that the bail payment will not be refunded. Before posting of bail, members must sign an agreement to refund to the government the amount of the bail, either in cash or payroll deduction, when they willfully cause forfeiture of the bail.

4. The responsible officer certifies the acceptance of the services acquired. Prepare an SF 1034 for payment of authorized charges. Payment will be made in local currency.

VOLUME 10, CHAPTER 6: "FEDERAL, STATE, LOCAL, AND FOREIGN TAXES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

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The previous version dated September 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
060201	Updated agency name change from Defense Energy Support Center to Defense Logistics Agency–Energy (DLA-Energy).	Updated
060204.B	Added Federal Acquisition Regulation (FAR) link to substantiate a Taxpayer Identification Number (TIN) is required, and may be included as part of proper invoice prior to payment.	Add
060206	Provided the exception for TRICARE Management Activity, Corp of Engineers, and Enterprise Resource Planning (ERP) initiatives regarding Defense Finance and Accounting Service (DFAS) responsibilities.	Add
060206.F	Added Social Security Administration (SSA) reference.	Add
060208	Added responsibility for third party payors to file an Internal Revenue Service (IRS) Form 1099-K as appropriate.	Add
060209	Specified DoD individuals and their responsibilities for tax reporting for convenience check transactions.	Add
060404	Provided an example of when state / local taxes may be collected and deposited for payment to the state.	Add
060603	Clarified statute specifying no taxes are imposed on Arms and Ammunition transferred or sold if purchased using military appropriations.	Updated
060702.C	Specified no IRS Form 1099-MISC is required for purchase cards and centrally billed travel paid using a government credit card.	Updated
060706.B.1	Added rejected invoice consequence if TIN not provided as required.	Add
060706.C.1	Clarified backup withholding of taxes for payments without a TIN.	Add

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CHAPTER 6

FEDERAL, STATE, LOCAL, AND FOREIGN TAXES

0601 OVERVIEW

060101. Purpose

This chapter prescribes the policy surrounding payment of federal, state, local, and foreign taxes. It also provides the information required for Department of Defense (DoD) Components (Military Departments and Defense Agencies) to fulfill information reporting requirements under ***Title 26, United States Code (U.S.C.), Chapter 80***. These reporting requirements apply to certain contract, vendor and miscellaneous payments (including miscellaneous payments to military and civilian employees) made by commercial payment operations.

060102. General Policy

A. Tax Information Sources. The Federal Government's right to tax exemptions depends on the applicability of federal, state, local, and foreign tax law; tax agreements with foreign countries; items being acquired; the nature of the tax; and the type of transaction. See ***Federal Acquisition Regulation (FAR), Part 29*** for general tax applications on the United States (U.S.) purchases, right to exemptions, and the methods of claiming exemptions. Specific information not obtainable locally may be obtained from taxing authorities or through discussions with the Component's general counsel regarding the applicability of various taxes.

B. Exemptions from Certain Federal Taxes

1. The Federal Government has been exempted under ***Title 26, U.S.C., section 4293*** from Federal taxes on services and facilities furnished to and paid for by the Government. This does not include facilities furnished to a government contractor. Exemption can be made with or without the use of an exemption certificate. The installation (or issuing) contracting office is responsible for preparing tax exemption certificates.

2. The Federal Government has been exempted under ***Title 26, U.S.C., section 4483(b)*** from the Federal highway vehicle use tax imposed in ***26 U.S.C. 4481***. The exemption applies whether the vehicle is owned or leased by the Federal Government.

C. Sales of Commodities or Facilities. Tax collections are required on commodities or facilities sold that are not for the exclusive use of the U.S. When tax free items or services purchased by the U.S. are sold to others, collect costs plus required taxes. The selling activity identifies customers and items or services subject to tax and includes any applicable taxes in billing documentation or statements. Taxes remitted are sent to the taxing authority.

D. Guidance. Internal Revenue Service (IRS) published guidance takes precedence over DoD guidance for the resolution of tax issues. If there are legal questions regarding reporting requirements not otherwise addressed or resolved by the guidance provided

in this chapter, or for any apparent conflicts between DoD and IRS guidance, then responsible officials should consult their agency designated counsel.

E. Nonappropriated Fund Instrumentalities (NAFI). Tax issues for NAFI are covered in Volume 13, Chapter 7 of this Regulation.

0602 RESPONSIBILITIES

*060201. Defense Logistics Agency-Energy (DLA-Energy) Responsibilities

DLA-Energy, 8725 John J. Kingman Road, Fort Belvoir, VA 22060, is responsible for:

A. Any application for tax refunds applicable to DLA-Energy programs. If DLA-Energy supports a Federal civilian agency, then that civilian agency is responsible for collecting data needed to apply for tax refunds.

B. Contracting for fuels to include use of the proper clauses concerning local tax provisions as provided in ***FAR Subpart 29.4*.**

060202. Military Departments and Defense Agencies

DoD Components should take maximum advantage of exemptions for excise taxes. The National Guard is considered a state agency for tax purposes.

060203. Contracting Officer Responsibilities

The contracting officer (either the procuring contracting officer or administrative contracting officer) is responsible for:

A. Inserting the appropriate contract clause with regard to taxes to be paid,

B. Soliciting prices on a tax-exclusive basis when it is known that the Government is exempt from these taxes, and on a tax-inclusive basis when no exemption exists, as directed in ***FAR 29.201*,**

C. Contacting local and/or state taxing authorities to verify acceptance of tax exemption certificates,

D. Working with fleet card issuers to maximize excise tax reclamations (recoupment),

E. Ensuring that contractors are aware of and understand duty-free entry clause requirements, and

F. Resolving tax liability or tax exemption disputes associated with government contracts.

060204. All Contractors, Vendors, and Individual Payees

A. Contractors, vendors, and individual payees requesting payment from a DoD Component may be required to take certain action with regard to payment, nonpayment, refund, protest, or other treatment of a specialized tax. Such special treatment may be appropriate when there is doubt as to the applicability or allocability of the tax, or when the applicability of the tax is being litigated. See ***FAR 29.304***.

* B. The contractor and vendor, when required, will enroll in the ***System for Award Management (SAM)*** (formerly Central Contractor Registration), refer to ***FAR Subpart 4.11***, or provide a valid Taxpayer Identification Number (TIN) pursuant to ***FAR 4.203***, or as part of a proper invoice prior to payment. ***Title 31 U.S.C. 7701(c)*** requires all payees, subject to the U.S. Internal Revenue Code, requesting payment from a DoD Component, to furnish their TIN which is either an Employer Identification Number (EIN), or a Social Security Number (SSN), prior to receiving payment. See ***FAR 4.902***.

C. If the contractor or other payee believes the ***IRS Form 1099-MISC (Miscellaneous Income)***, ***Form 1099-INT (Interest Income)***, or ***Form 1099-C (Cancellation of Debt)*** was improperly completed or had incorrect information, then they must provide written evidence needed for a correction to the entitlement office.

060205. Fleet Card Issuer

The Fleet Card issuer (third-party payor) is responsible for working with DLA-Energy and Defense Finance and Accounting Service to maximize excise tax reclamations, as rules and procedures vary by state. Generally, states require that tax reclamations be completed after payment is made.

*060206. Defense Finance and Accounting Service (DFAS) Responsibilities

Except for TRICARE Management Activity and Corps of Engineers payments, and Enterprise Resource Planning (ERP) payments where responsibility has otherwise been assigned, DFAS is responsible for:

A. Computing all appropriate tax withholdings, making deposits to the United States Treasury, and filing the appropriate tax documents with the Internal Revenue Service,

B. Paying excise taxes as appropriate,

C. Reclamation of Federal and state excise tax related to fuel purchases, based on data provided by either DLA-Energy or Fleet Card issuers. Filing for reclamation will include the National Guard,

D. Recording any taxes recovered in the applicable accounting systems,

E. Reviewing payment information to determine if a payment is reportable under current IRS guidelines, and

* F. Filing IRS Forms W-2 or 1099 or other type returns with the Social Security Administration (SSA) and/or IRS.

060207. Office of the Staff Judge Advocate or General Counsel

These offices are responsible for providing available payment data related to all settlements of personnel cases. The document forwarded to the paying office must identify the type of payment(s) represented by the settlement (for example, compensatory damages, back pay, overtime, attorney fees, or interest), as well as the dollar amount attributed to each type of payment. This information will be used to determine the proper tax reporting of the payments. These offices also provide the information required to properly report payments to attorneys under ***26 U.S.C. 6045(f)***, separate from the claims settlement payment.

*060208. Third-Party Payors (VISA and MasterCard)

Third party payors are responsible for filing IRS Form 1099-K as appropriate. The DoD is not responsible for filing IRS Form 1099-MISC when payment is made using these payment vehicles.

*060209. Convenience (Accommodation) Check Account Holder

The account holder (check-writer) and the Agency/Organization Program Coordinator (AOPC) are the DoD individuals responsible for tax reporting for convenience check transactions. Responsibilities include obtaining access to the DFAS 1099 Tax Reporting Program through the DFAS Tax Office using the ***Department of Defense (DD) Form 2869*** and ***DD Form 2875***. The account holder must capture the following check recipient data throughout the tax year in the Tax Reporting Program for reporting to the IRS:

A. Legal name (the name by which the check recipient taxes are filed),

B. Legal mailing address,

C. Taxpayer identification number (SSN or EIN),

D. Check number,

E. Check amount,

F. Date the check is written, and

G. Item description.

060210. Debt Management

Activities that manage debt and approve the termination of debt collection activities must provide information related to cancellation of valid debts to the DFAS Debt Management Office. They must identify the person or business that has a reportable canceled debt. See Chapter 18 of this volume for additional guidance on canceling debt.

0603 FEDERAL TAXES

060301. Federal Excise Tax (FET)

A. General. Except for exemptions provided by the Internal Revenue Code as set out in ***FAR Part 29***, the Government must pay FET on fuel purchases. If a contract does not specify that the contract price excludes FET, then assume the contract price includes the tax and pay only the contract price. If the contract price specifically excludes the tax, then FET for fuel purchases must be billed on the invoice as a separately identified item from the contracted fuel price.

B. Exemptions. Tax exemptions or refunds are available for DoD purchases of aviation fuel and off-highway use of gasoline and road diesel fuels. Whether or not an exemption is available or a refund application is required depends on where in the distribution chain the purchase was made and the IRS status of the seller of the fuel.

C. Refunds. Requests for refunds must be filed on an ***IRS Form 8849 (Claim for Refund of Excise Taxes, Schedule 1, Nontaxable Use of Fuels)***.

D. Federal Excise Tax on Motor Fuels. The Tax Reform Act of 1986 eliminated tax-free sales to exempt entities and organizations. The tax-exempt entities are defined as state (including National Guard) and local governments, the American Red Cross, and nonprofit educational organizations. Tax-exempt entities must pay the tax and file for a refund.

E. Quarterly Federal Excise Tax Return

1. Reports are prepared and submitted quarterly by the DFAS accounting office responsible for reporting DLA-Energy activity unless notified differently by the IRS District Director. A return is made on ***IRS Form 720 (Quarterly Federal Excise Tax Return)*** for the first calendar quarter when a tax liability is incurred and each subsequent calendar quarter until a final return is filed. Final returns shall be marked "FINAL" and are applicable only when no FET is owed and reportable in future quarters. See ***IRS Publication 510*** for additional guidance.

2. Form 720 contains a list of the commodities and services subject to the tax and the tax rate. This form also serves as the return for all excise taxes for which quarterly reporting is required.

3. Credit collections for FET are made to deposit fund accounts. Deposit excise taxes collected using the most current instructions received from the IRS. Generally, semi-monthly deposits of excise taxes are required and must be made electronically to the Department of the Treasury.

a. Show the schedule of collection numbers, dates, and amounts for the collections.

b. Report the amounts of FET collected and deposited for the sale of aviation fuel other than for the exclusive use of the U. S. Government.

4. Preparation of IRS Form 720

a. The DFAS accounting office prepares Form 720. Instructions for preparing this form are in ***IRS Instructions for Form 720***. The form can be obtained online at ***IRS Form 720 (Quarterly Federal Excise Tax Return)***.

b. The Form 720 is due on or before April 30, July 31, October 31, and January 31.

c. Submit the original Form 720 to the appropriate IRS Center; include the amount of taxes collected.

0604 STATE AND LOCAL TAXES

060401. State and Local Taxes Policy

DoD Components shall assert the government's immunity or exemption from taxes whenever it is available. State statutes indicate whether the tax is levied on the seller or the purchaser. The process for seeking refunds differs from state to state. Some states accept ***Standard Form (SF) 1094, U.S. Tax Exemption Form***; some states have their own required forms; and other states require payment of the tax at the time of purchase and provide a means for seeking refunds of the tax. The contracting officer will contact the local state taxing authority to verify if they accept tax exemption certificates. A blanket-type tax exemption certificate is used to obtain the U.S. Government's exemption from state or local taxes in the case of continuing or numerous purchases from contractors. Payments of state and local taxes are supported under the following conditions:

A. When the tax is levied on the seller, the Federal Government must pay the tax as part of the purchase price, unless the taxing authority provides otherwise.

B. When the Government has, by contract, agreed to reimburse the contractor for taxes paid to a state or municipality.

Unless specifically stated otherwise in the contract, it is presumed that state and local taxes are included in the contract price. When there is a valid and binding contract covering the

furnishing of supplies or services at fixed unit prices, and the contract contains no provision for the adjustment of such prices in the event of the imposition on the contractor of state taxes applicable thereto, there is no authority for the payment of any taxes over and above the unit price stipulated in the contract.

060402. Credit Cards for Service Station Purchases

If a service station does not accept the Government's tax exemption at time of purchase, then the tax will appear on the invoice. The disbursing office may pay the state or local tax on the credit card invoice. DLA-Energy is responsible for supplying applications for tax refunds on fuel purchases at service stations. Refer to paragraph 060201 for more information on DLA-Energy responsibilities.

060403. Bulk Purchases of Fuel

The rules for credit card purchases also apply to state and local taxes on bulk purchases of diesel fuels and gasoline (see paragraph 060402).

*060404. Disposition of State or Local Taxes

Disbursing offices deposit amounts collected on individual sales during a month to the applicable deposit fund account. An example of such sales would be the Base Exchange or Commissary selling gasoline or motor fuels to a customer that must pay state mandated taxes. See ***4 U.S.C. 104***. Make payments to the state or political subdivision using SF 1049. Remit on or before the 15th day after the month the collection was made.

060405. Leases and Rentals

Leases and rentals may be subject to various state and local taxes. See ***FAR 29.302***, application of state and local taxes to the Government, and FAR 29.304 for additional guidance. See ***FAR Subpart 29.4*** for contract clauses concerning state and local taxes on leases and rentals.

0605 CUSTOMS DUTIES

060501. U.S. Customs Duties on Foreign Purchases

A. Duty-Free Purchases. Emergency purchases of war materials abroad can be made by the DoD Components. This material will be admitted free of duty. The current version of the U.S. International Trade Commission's ***Harmonized Tariff Schedule*** contains details pertaining to the classification and rate of duty. However, only Customs and Border Protection can provide legally binding advice or rulings on the classification of imports. See ***FAR Subpart 25.9*** and ***Defense Federal Acquisition Regulation Supplement (DFARS) Subpart 225.9*** for additional guidance.

B. Payment of Custom Duties. If the importation is not duty free, then charge the custom duty to the same appropriation as the purchase. This is done even though the

importation and purchase may be in different fiscal years. Prepare vouchers to show the payment remitted to the Collector or Deputy Collector at the port of entry.

060502. Customs Exemptions for American Imports and Purchases in Canada for Joint Defense Program

A. General. The Government's imports and purchases from other countries are exempt from Canadian import duties and taxes when used for joint Defense projects in Canada.

B. Refund or Remission of Taxes. Goods purchased in Canada by or for the U.S., or by the Canadian Commercial Corporation, are governed by concessions when U.S. funds expended are intended for joint Canadian–U.S. projects in Canada or when the goods will become and remain U.S. property. See ***Defense Production and Development Sharing Remission Order (C.R.C., c. 755)***. The concessions permit refund or remission in certain circumstances, including:

1. Sales taxes paid on goods other than those for resale to members of the U.S. Armed Forces or civilian personnel for private use.

2. Excise taxes, including the stamp tax on checks. Items for resale to members of the U.S. Armed Forces or civilian personnel for private use are not exempt from stamp taxes or purchase taxes.

3. Customs duty paid on import goods when used, directly consumed, processed, or attached to items or goods manufactured in Canada and sold to the U. S. Government for use with joint Canadian–U.S. projects.

C. Notation on Payment Vouchers. Vouchers for Canadian purchases or services will show: "United States Government Funds exempt from Canadian excise tax, refer to Order in Council PC 3108." This statement will assist the Canadian Department of National Revenue in giving the exemption.

D. Excise Taxes Payable. The following are excise taxes payable, notwithstanding the Canadian purchase concessions described in 060502.B:

1. Cable, telegraph, and long-distance telephone messages when charges are not made to individuals, but are made directly to the U.S. Government, and

2. Transportation requests, warrants or tickets, seats, berths, or other sleeping accommodations when charges are not made to individuals, but are made directly to the Government.

0606 MISCELLANEOUS

060601. Payments in Lieu of Taxes

Issues involving payment of taxes are complex and should be referred to the activity's servicing legal office.

A. Charges by state or local governments for services levied on Federal Government entities or their contractors, which are not imposed on residents or nonfederal tax exempt entities, where the cost of service is borne by the general tax revenues, are in the nature of a tax to which the U.S. is immune.

B. A reasonable charge by a political subdivision based on the "quantum" of direct service furnished, and which is applied equally to all property tax exempt entities, is not considered a tax against the U.S., even though the services are furnished to taxpayers without a direct charge, provided the political subdivision is not required by law to furnish the service involved without a direct charge to all located within its boundaries.

C. Payments are permitted in lieu of taxes to municipalities that have lost tax revenue due to the transfer of plants to Government Components, only when authorized by the Congress. Payments in lieu of taxes are not authorized if the property transferred was never on municipality tax rolls and municipal services had never been furnished.

060602. Foreign Taxes

U. S. Government purchases in a foreign country are not exempt in general from taxes and custom duties when imposed by the foreign country. The Status of Forces or government tax agreements may provide exemptions. See ***FAR 29.402*** for specific clauses pertaining to foreign taxes.

*060603. Taxes on Arms and Ammunition

Taxes may not be imposed on the sale or transfer of firearms, pistols, revolvers, shells, or cartridges when such articles are purchased with funds appropriated for a military department. See ***10 U.S.C. 2385*** and ***FAR Subpart 29.2***.

060604. Environmental Assessments

If an environmental assessment is levied by a local government and it represents a fee, then payment is authorized. If the assessment appears to be a tax and its legality is questionable, then payment is not authorized. Payment under protest should not be made and legal advice should be obtained from the office of general counsel regarding payment of assessments by state and local governments.

0607 FEDERAL TAX REPORTING

060701. General

A. At the end of each calendar year, payment or entitlement offices are required to report certain payments to the IRS. The reporting requirements are established by ***26 U.S.C. 6041***, ***6041A***, ***6045(f)***, ***FAR 4.904***, and current IRS instructions/guidelines. Payment or entitlement offices must provide the recipients (payees) with an IRS Form 1099 by January 31 following the year of payment. Additional guidance is published in the ***Treasury Financial Manual, Part 3, Chapter 4000 (Federal Income, Social Security, and Medicare Taxes)***.

B. There are various payments made to military members and civilian employees that are subject to IRS Form W-2 (Wage and Tax Statement) reporting (e.g., military award payments and medical health service providers paid under individual set-aside contracts). Some of these payment types may require tax withholding and will be reported on the IRS Form W-2. At the end of each calendar year, payment or entitlement offices are required to report these payments via Form W-2 according to current SSA/IRS guidelines.

060702. Tax Reporting Policy

A. Each DoD Component is responsible for the preparation of an IRS Form 1099 on its contract or vendor payments that total $600 or more, or royalties of $10 or more in a calendar year to a single person or business entity (partnership, sole proprietor, or corporation), unless an exception applies. For DFAS serviced activities, DFAS will prepare, print, and distribute the hard copy of the IRS Form 1099 to the vendor/contractor/payee and forward the same information to the IRS. If an IRS Form1099 is required to be corrected, then the paying office that maintains the underlying payment record provides the information necessary to effect the correction. If the vendor/contractor/payee believes the IRS Form 1099 was improperly completed or had incorrect information, then they must provide written evidence needed for a correction.

B. Payment data in various payment systems for the same contractor must be merged to determine if an entity was paid more than $600 for reportable payments.

* C. No IRS Form 1099-MISC is required for purchase cards and centrally billed travel paid using a government credit card.

D. If payment is made with a convenience check associated with a government purchase card program, then the check-issuing activity must forward the information outlined in subparagraphs 060209.A – G for reportable payments to DFAS on a monthly basis and prior to December 31st of each year, to ensure that an IRS Form 1099 is issued. Activities must contact the DFAS Tax Office to obtain access to the 1099 Tax Reporting Program before transmitting convenience/accommodation check data.

E. DFAS will not make a determination of independent contractor or employee status for tax purposes when payments are made to individuals. That determination is

at the discretion of the contract-issuing activity. If there is a question, then the contract-issuing activity, through its chain of command, will submit an ***IRS Form SS-8 (Determination of Worker Status for Purposes of Federal Taxes and Income Tax Withholding)*** to the IRS Associate Chief Counsel (tax exempt and government entities) for a determination. See ***IRS Pub 1779 (Independent Contractor or Employee)*** for additional information.

060703. IRS Form 1099 Information Reporting

A. Payments Subject to Reporting. Certain contract and vendor payments are subject to IRS Form 1099 reporting in accordance with IRS regulations/guidelines.

1. General Rule. Payments are aggregated for the taxable year for:

a. Business entities: sole proprietors, partnerships, and corporations, with some exceptions,

b. Corporations providing medical and health-care services which are not otherwise exempt from taxation under 26 U.S.C. 501(a),

c. Canceled debts, and

d. Interest (including Prompt Payment Act (PPA)) to individuals, sole proprietors, and partnerships. Corporations are exempt from reporting interest.

2. Payment for Services

Payments or compensation for services rendered, including medical or health-care services and contractual legal services, are subject to IRS Form 1099 reporting unless the payment should be reported on an IRS Form W-2. This reporting requirement applies regardless of whether payment is issued to an individual, a sole proprietorship, a partnership, or a corporation. The requirement does not apply when a payment is made to a hospital or extended health-care facility that is exempt from taxation under 26 U.S.C. 501(a) or to a hospital or extended health-care facility owned and operated by the U.S. or an agency or instrumentality of the U.S. This reporting rule also applies to payments issued to U.S. corporations, paid in U.S. dollars, for service contracts that are executed in foreign countries.

3. Payments for Taxable Settlements

a. Generally, payments for personnel claims, Equal Employment Opportunity actions, and grievances represent taxable income and should be reported on an IRS Form 1099, but may be reported on an IRS Form W-2 depending on the classification of the settlement categories. This includes amounts paid in settlement, damages for nonphysical injuries or sickness (such as employment discrimination or defamation), liquidated damages, and punitive damages. Amounts paid on account of personal physical injury or physical sicknesses, however, are not taxable and are not reported on an IRS Form 1099. In addition, compensatory damages received based on emotional distress or injury that are

attributable to a physical injury or physical sickness, are not taxable and not reported on an IRS Form1099 to the extent that the amount paid does not exceed the amount paid for medical care for the emotional distress. Damages paid on account of emotional distress, including physical symptoms such as insomnia, headaches, and stomach disorders, which are not attributable to a specific physical injury or physical sickness, are reportable.

b. In cases where the amount to be paid to the complainant represents back pay and the claim originates with a DoD activity whose civilians are paid by DFAS, the claim must be forwarded to a civilian pay office for payment and issuance of an IRS Form W-2. DoD activities must forward claims representing back pay to their supporting payroll office.

c. The office forwarding personnel claims as described in Chapter 12 of this volume for payment, such as taxable settlement awards, is responsible for providing information with the settlement documents that are needed for tax reporting. All settlement payments are presumed to be taxable, unless otherwise indicated in the settlement agreement or meet one of the specific categories that are nontaxable.

4. Gross Proceeds Paid to an Attorney. The total amount paid to an attorney for legal services, other than contractual legal services, must be reported on an IRS Form 1099 as required by 26 U.S.C. 6045(f). The term "attorney" includes a law firm or other providers of legal services, such as a corporation. This reporting requirement applies regardless of whether or not legal services are provided to the Government, and if the attorney is the sole payee. In the case of payment by check, payment is considered to be made to the attorney or law firm, if the attorney or law firm is named as a sole, joint, or alternate payee. A need to issue two IRS Form1099s on a single payment may occur. In this case, issue an IRS Form 1099 to the complainant and another IRS Form1099 to the attorney. Information that must be provided by the office forwarding the claim for payment includes but is not limited to: payee name(s); payee TIN; amount paid; payee address(es); and settling activity identification. See ***IRS Bulletin 2006-33, section 1.6045-5*** for information reporting on payments to attorneys.

5. Vendors in U.S. Territories. Service payments to vendors located in Puerto Rico, Guam, and the U.S. Virgin Islands are subject to IRS information reporting.

B. Payments Not Subject to Reporting. The following classes of contract and vendor payments are not subject to IRS Form 1099 reporting:

1. Payment of bills for merchandise, transportation, freight charges, telegrams, telephone, storage, and similar charges,

2. Payments subject to reporting on an IRS Form W-2, which generally relates to compensation paid to DoD employees or service members,

3. Payments of rent, if made to a real estate agent,

4. Payments to government employees as an allowance or reimbursement for traveling or associated expenses, including claims for damaged household goods,

5. Payments made as an award to an informer or similar payments,

6. Payments made to a Government agency, political subdivision, or instrumentality thereof,

7. Payments to organizations that are exempt from taxation under 26 U.S.C. 501(a), and

8. Payments made to government employees for service performed in Puerto Rico. These payments should be reported on an IRS Form W-2. See Volume 8, Chapter 4 of this Regulation.

060704. Debt Actions Subject to IRS Form 1099-C (Statement for Canceled Debt)

A. Federal agencies are required to report the cancellation of each individual debt to an individual, sole proprietor, partnership, or corporation. The term "debt" includes the principal owed, interest, penalties, administrative costs, and fines. If, however, interest is included in the amount reported on the IRS Form1099-C, then it must be listed separately on the form. A debt is considered to be canceled on the date that the authorized individual approves the termination of the debt-collection process.

B. The cancellation of the debt is reported on IRS Form 1099-C, regardless of whether the debtor is required to report the debt as income. A copy of the IRS Form 1099-C must be provided to the debtor by January 31 of the year following the year in which the debt is canceled. If payment is received on a previously canceled prior year debt, then there is no requirement to file an additional or corrected IRS Form 1099-C.

060705. Payments to Individuals Subject to IRS Form W-2 Reporting

A. General. As discussed in Chapter 12 of this volume, various payments are issued by DFAS to, or on behalf of, DoD employees and military members. Payments may be subject to tax withholding and tax reporting (Federal and state) on an IRS Form W-2.

B. Cash Awards to Military Members

1. Cash awards to military members for disclosures, suggestions, inventions, and scientific achievements are subject to the withholding of Federal and state income taxes. Certain Combat Zone Tax Exclusions (CZTE) may apply. Information on the CZTE is available in ***IRS Pub 3 (Armed Forces' Tax Guide)*** and Volume 7A, Chapter 44 *Withholding of Income Tax* of this Regulation.

2. For purposes of issuing an IRS W-2, DFAS will withhold taxes and will issue an IRS Form W-2 by January 31 of the year following the award payment.

060706. Procedures for the Payee Copy

A. Instructions. When preparing an IRS Form 1099-MISC, reporting activities must be sure to follow the IRS Instructions for IRS Form 1099-MISC, as the IRS uses this information to determine whether the recipient has properly reported the payment.

* B. Requirements for Taxpayer Identification Number (TIN)

1. ***Title 26 U.S.C. 6109*** requires a recipient of income to give the payor their TIN for use in filing tax information returns. The TIN is the individual's SSN or a business' EIN. A Privacy Act statement must be provided to an individual when requesting the reporting of an SSN. If the TIN is not readily available from the *SAM* (formerly CCR) or Corporate Electronic Funds Transfer systems, or from contractual or other documents, then the contracting officer is responsible for contacting the payee to obtain their TIN. See ***FAR 4.203*** and ***Subpart 4.9***. Individuals or entities that refuse or fail to provide a TIN are to be advised that such refusal or failure may result in either a rejection of payment request (improper invoice), as described in Chapter 8 paragraph 080207 of this volume, or a reduction of the payment otherwise due because of backup tax withholding for reportable payments as described in 060706.C.1 of this chapter.

2. Both the ***Debt Collection Improvement Act of 1996 (DCIA)*** and FAR 4.9 require the collection of a TIN. A valid TIN is also part of a complete SAM listing. Entitlement systems will validate remittance and TIN data against the SAM. For payees exempt from SAM, but required to have a TIN, the TIN may be collected from any source. If a TIN has not been provided when payment is to be made, then the payment is subject to backup tax withholding at the current rate, see subparagraph 060706.C.1. In these circumstances, the contractor or vendor is not eligible for PPA interest, as they have not fulfilled the requirements for a proper invoice as stated in Chapter 7 of this volume. Miscellaneous non-contractual payments, where the TIN has not been provided, are subject to backup withholding and the resulting payment reduction.

* C. Backup Withholding

1. In most instances, pursuant to ***31 U.S.C. 3325***, DoD may not make a payment without a valid TIN. If payment is appropriate without a TIN, and no exception to backup withholding applies, backup withholding must occur. Backup withholding requirements are enforced on a payment by payment basis, regardless of payment size. When an individual or entity has not provided a TIN as described above, the backup withholding requirement is applicable. See ***26 U.S.C. 3406*** for additional guidance. Because of the TIN requirement imposed by 31 U.S.C. 3325, backup withholding within DoD should be extremely rare.

2. Backup withholding requirements are separate from the reporting thresholds that apply to most IRS Form 1099 reporting. Backup withholding is applied to the

principal payment only, to exclude such charges as transportation charges or interest. Payments that are not subject to reporting on the IRS Form 1099, as set forth in subparagraph 060703.B, are not subject to backup withholding.

3. The backup withholding is reported to the IRS. The paying office will generate both an IRS Form 1099-MISC, reporting tax withheld in box 4 to the payee, and ***IRS Form 945 (Annual Return of Withheld Federal Income Tax)*** for the IRS. Additional guidance is available in separate IRS instructions for Form 945, ***IRS Pub 15, (Circular E), "Employer's Tax Guide"***, and ***IRS Pub 1281 (Backup Withholding for Missing or Incorrect Name/TINs)***.

4. DoD activities must perform backup withholding on reportable payments when the following conditions exist:

a. The IRS informs the paying office that the payee provided an incorrect TIN and reportable payments to the payee total $600 or more during the calendar year, or

b. An information return was required concerning the payee for the preceding calendar year, or

c. Backup withholding was required from the payee for the preceding year.

060707. Filing Information Returns with the IRS

A. ***IRS Form 1096 (Annual Summary and Transmittal of United States Information Returns)*** and ***IRS Form 4419 (Application for Filing Information Returns Electronically (FIRE))***.

1. Forms Required

a. When filing manual (paper) IRS Form 1099s, the IRS Form 1096 must be used to transmit and summarize payment information. It serves as a cover sheet for one or more individual reports. See IRS instructions for IRS Form 1096 for detailed guidance. IRS Form 1096 is obtained through the IRS publication and forms Web site at ***www.irs.gov***.

b. A separate IRS Form 1099 must be completed for each entity concerned and collectively are covered by one IRS Form 1096. IRS Form 1099s are obtained through the IRS publication and forms Web site at ***www.irs.gov***.

2. Distribution of Report. IRS Forms 1096 and 1099 are to be filed according to ***IRS Publication 1220*** (Specifications for filing various IRS forms electronically), by February 28 following the year of payment, with the appropriate IRS center listed in the instructions for IRS Form 1096.

3. Electronic Filing. When filing 250 or more IRS Form 1099 returns in a single report, filings are done electronically, and are required to be filed by March 31 following the year of payment. These electronic filing procedures are published annually in IRS Publication 1220.

060708. Records Retention

Activities preparing information returns must have the ability to reconstruct the data or records used to prepare the IRS Form 1099. The data or records shall be retained for at least three calendar years after filing the information return. See ***IRS General Instructions for Certain Information Returns***. These records permit an audit trail that will substantiate the amount(s) reported by showing all relevant payments, to include payments from multiple contracts. The retention period for IRS Form 1099-C or backup withholding data is 4 calendar years after filing the information return. The issuing location must maintain a copy of information returns or be able to recreate the tax document.

VOLUME 10, CHAPTER 7: "PROMPT PAYMENT ACT"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated December 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
070201	Updated wording to include payment terms as being ordinarily imposed by the contract.	Update
070202.B.4	Added exemption of emergencies and contingency operation payments from Federal Acquisition Regulation (FAR) Subpart 32.9 Prompt Payment.	Add
070203.A	Moved the original subparagraph 070203.A down in section to align it with actual process flow, it is now positioned as 070203.D.	Move
070203.A	Added guidance that emphasizes contract corrections will be requested from contracting office, and will require formal modification if terms of the contract are changed.	Add
070203.C	Clarified guidance for a proper invoice and improper invoice return information.	Update
070203.F	Added FAR clause reference distinguishing when a contractor must pay interest to the Government for unearned progress payments.	Add
070203.G	Added clause to define contractors as being entitled to payment for accepted partial deliveries.	Add
070204	Addressed invoice received date definition for electronically submitted invoices.	Add
070205.A & B.	Clarified payment due date and 7 day constructive acceptance period.	Add
070206.B	Added FAR clause reference for purposes of computing late payment interest penalties that may apply for interim payments on cost-reimbursement contracts for services.	Add
070206.C	Clarified Electronic Funds Transfer settlement date.	Add
070206.F	Addressed authorized accelerated payments for small business invoices.	Add

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0703	Added Department of Defense (DoD) Component Head qualifier to specify those officials responsible for entitling contract and vendor payments.	Add
070302	Reworded sentence to clarify responsibility for informing DoD contractors of the proper processes for tracking their payment status.	Update

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CHAPTER 7

PROMPT PAYMENT ACT

0701 OVERVIEW

070101. Purpose

This chapter prescribes the Prompt Payment Act (PPA) policy for payments to vendors and contractors as mandated by ***Title 5, Code of Federal Regulations (CFR), Part 1315***. The chapter focuses on timely payment, determination of appropriate due dates, the penalty for late payment, required documentation, receipt and acceptance dates, and payment discounts.

070102. General

PPA, found at ***Title 31, United States Code (USC) Chapter 39***, requires Department of Defense (DoD) Components to pay their bills on time and pay interest penalties when payments are made late. Regulations promulgated under PPA state that federal agencies should take discounts only when payments are made by the discount date and the discount is economically justified. Guidance for implementing PPA is found in ***5 CFR 1315***, the ***Federal Acquisition Regulation (FAR) Subpart 32.9***, and the ***Defense Federal Acquisition Regulation Supplement (DFARS) Subpart 232.9***. For definitions that apply in the implementation of PPA, refer to ***5 CFR 1315.2*** and ***FAR 32.902***.

0702 PROMPT PAYMENT ACT POLICY

*070201. Application

PPA requires federal agencies to pay their bills on a timely basis, to pay interest penalties when payments are made late and to take economically justified discounts only when payments are made by the discount date. For the purposes of this chapter, days refer to calendar days unless stated differently. The payment terms ordinarily imposed by the contract or PPA and its implementing regulations may be replaced by the payment terms imposed by another governmental authority, such as utility tariffs. PPA applies to the following:

A. Procurement Contracts. PPA applies to payments for contracts for the procurement of goods or services awarded by Executive branch agencies, unless the payments are exempt as identified in paragraph 070202 below.

B. Vendor Payments. All vendor payments and payments to persons (not employees), organizations, or business concerns engaged in a profession, trade, or business and any not-for-profit entity operating as a vendor, unless exempt, are subject to PPA. Refer to paragraph 070202 for exemptions.

C. Utility Payments. All utility payments, including payments for telephone service, are subject to the PPA, except those under ***5 CFR 1315.1(b)(2)***. Where state, local, or

foreign authorities impose generally applicable late payment rates for utility payments, those rates shall take precedence, and thus, PPA rates will not apply.

070202. Exemptions

A. The following payments are exempt from PPA (refer to ***5 CFR 1315.1(a)(1)(ii) and (b)(1)***):

1. Payments covered under ***31 USC 3901(a)(1)*** because they are not being made by an "agency" within the meaning of ***5 USC 551(1)(G)***, and

2. Contract financing payments, as defined in ***5 CFR 1315.2(h)*** and ***FAR 32.001***.

B. The following payments may be exempted from PPA (refer to ***5 CFR 1315.1(b)(2)***):

1. Payments related to certain declared state of emergencies directing any Federal agency to utilize its resources in support of State and local disaster assistance efforts, as defined in the ***Disaster Relief Act of 1974 (Public Law (P.L.) 93-288) as amended (42 U.S.C. 5121 et seq.)***

2. Payments related to the release or threatened release of hazardous substances, as defined in ***42 USC 9601***, and

3. Certain payments related to military contingency operations, as defined in ***10 USC 101(a)(13)***.

* 4. While payments identified in 070202.B.1, B.2, and B.3 are normally exempted per 5 CFR 1315.1, the head of the contracting activity (HCA) (when authorized), in consultation with the cognizant comptroller, will make the determination of whether a contract and related payment will be subject to the requirements of ***FAR Subpart 32.9 "Prompt Payment"***. ***DFARS 232.901*** defines conditions where emergencies or contingency operations affecting normal business processes will dictate a determination to exempt payments from ***FAR Subpart 32.9***. This determination and all subsequent determinations will be clarified by the specific clause in the individual contract. Refer to Annex 1 of Chapter 8 "Commercial Payment Vouchers and Supporting Documents" of this volume for additional detailed policy.

070203. Required Documentation Type, Function, and Purpose

Before making a payment, DoD Components must ensure that appropriate payment documentation is established to support payment of invoices and interest penalties. This documentation normally includes the contract, receipt/acceptance report, and a proper invoice. Refer to ***5 CFR 1315.9*** and section 0804 of Chapter 8 "Commercial Payment Vouchers and Supporting Documents" of this volume for additional information on required documentation.

* A. Contract. The contract is the enforceable agreement between the agency and the contractor or vendor that provides much of the information to support payment of invoices and interest penalties. Contracts must contain the data elements required under ***5 CFR 1315.9(a)***. If errors exist in a contractual document, the entitlement office should notify the contracting office to request corrective action. The entitlement office may not change contract terms. Contract terms may only be changed through a formal modification.

B. Receipt and Acceptance Report

1. A receiving report performs two functions. It provides evidence of the date goods are received, and it provides evidence of the date goods or services are accepted. Receiving reports are written or electronic evidence of the receipt of goods or services by a government official. Receiving reports must meet the requirements of ***5 CFR 1315.9(c)***. Receipt of goods ordinarily does not provide a basis for payment. Payments must be based upon acceptance of the goods or services as authenticated by the signature of the government official. Acceptance must occur as a condition of payment except in the following instances:

a. Interim payments on cost-reimbursement contracts for services. Refer to ***DFARS 232.906*** for information concerning interim payments on cost-reimbursement contracts for services. Subparagraph 070206.B below defines the standard due date and condition where interest penalties may apply.

b. The fast payment procedure. In limited situations, payment offices may use the contractor's submission of an invoice as certification of the delivery of supplies and as the basis for authorizing payment; and payment may be made within 15 days after the receipt of the invoice. Follow-up is required to ensure receipt of documentation. Conditions that must exist to use these payment methods are outlined in ***5 CFR 1315.6(a)***, ***FAR Subpart 13.4***, ***DFARS Subpart 213.4***, and section 1005 of Chapter 10 "Payment Vouchers – Special Applications" of this volume.

2. The agency receiving official should forward the receiving report, or other government documentation, to the designated payment office by the 5th working day after government acceptance or approval, unless other arrangements have been made.

3. Government acceptance is normally deemed to occur constructively on the 7th day after the contractor delivers supplies or performs services in accordance with the terms and conditions of the contract, unless there is a disagreement over quantity, quality, or contractor compliance with a contract requirement. A longer acceptance period can be specified in the contract, in which case the date of the actual acceptance or the date on which such acceptance period ends shall substitute for the normally applied 7th day after the delivery date (refer to ***DFARS 232.904***). The date on which the designated acceptance period ends is referred to as the constructive acceptance date. Constructive acceptance is used simply for the purposes of calculating PPA interest and applies to both destination acceptance and source acceptance contract terms.

a. In the event that actual acceptance occurs within the constructive acceptance period, the determination of a due date shall be based on the actual date of acceptance.

b. In the event that actual acceptance occurs after the constructive acceptance period, the determination of a due date will be based on the constructive acceptance date. Refer to ***FAR 32.904(b)(1)(ii)(B)*** for additional policy.

* C. Proper Invoice. Payment will be based on the receipt of a proper invoice and satisfactory contract performance. Unless otherwise stated in the contract, vendors/contractors will submit a proper invoice to request payment. For details on information required for a proper invoice, refer to ***5 CFR 1315.9(b)*** and ***FAR 32.905(b)***. The required information cited in the CFR must be included on an invoice to enable payment to occur. As stated in FAR 32.905.b.2, an interim payment request under a cost-reimbursement contract for services constitutes a proper invoice if it includes all of the information required by the contract. Note that payment requests under cost-reimbursement service contracts are deemed proper when they conform to the contract. The office designated by the purchase order, agreement, or contract to first receive and review invoices, hereafter referred as the designated activity, will immediately annotate the receipt date and review invoices within 7 days after receipt. If an invoice is improper, then the designated activity will return the invoice to the vendor/contractor.

1. Notice of an Improper Invoice. When the designated activity returns an invoice as improper, they will provide details on why the invoice is being returned and why it is improper. The designated activity's request to the vendor/contractor for a corrected invoice will be clearly marked as such. Notification will be within 7 days of receipt of the invoice (5 days for perishable agricultural commodities, dairy products, edible fats or oils, and food products prepared from edible fats and oils; and 3 days for meat, meat food, fish, and seafood products). Note that if a DoD Component fails to provide notification of an improper invoice within the prescribed timeframes, the computation of the payment due date will be affected, in that the number of days allowed for payment of the corrected proper invoice will be reduced by the number of days delayed beyond the allowable invoice return requirements described above. For example, a typical invoice payable in 30 days is returned as improper on the 11th day after receipt, minus 7 days allowed, equals a 4 day delay thus reducing due date by 4 days. As a result of the 4 day delay, the corrected invoice is now payable in 26 days upon receipt. Refer to ***5 CFR 1315.4(g)(5)*** for additional policy if improper invoices are not returned within 7 days. If a designated activity erroneously rejects a proper invoice, then the original invoice receipt date will be used to compute the payment due date and any interest penalties due. Refer to ***FAR 32.906(b)(4)*** for additional policy. In cases where the returned invoice offers a cost effective discount, request the contractor change the date on the existing corrected invoice, if resubmitted, or issue a new invoice with the current date on it.

2. Delivery Ticket as an Invoice. A delivery ticket may be used as an invoice. When used as an invoice, the delivery ticket must contain information required by the CFR for an invoice. Refer to ***5 CFR 1315.9 (b), (c), and (d)*** for additional policy.

D. Follow-up for Required Documents. If payments cannot be made due to the non-receipt of receiving reports, copies of contracts, contract modifications, or other required documentation, the entitlement office will follow-up with the contracting or receiving office to ensure that these documents are forwarded in a timely manner. These follow-up requests should be made in time to prevent the possible loss of economically justified discounts (if possible) and to avoid the unnecessary payment of late payment interest penalties.

E. Emergency and Contingency Operations. When authorized, the HCA of an operational area, in consultation with the cognizant comptroller, will make the determination of whether a contract and related payment will be subject to the requirements of ***FAR Subpart 32.9***, "Prompt Payment", and include the applicable payment clause in the contract accordingly.

1. For payments that have been determined to be exempt from ***FAR Subpart 32.9***, certifying officers involved in supporting contingency operations will need the documents and information listed in Annex 1 of Chapter 8 "Commercial Payment Vouchers and Supporting Documents" of this volume to ensure the entitlement to payment is valid to certify and make a contract or vendor payment. Certification guidelines for these payments are contained in paragraph 080807 of Chapter 8 "Commercial Payment Vouchers and Supporting Documents" of this volume.

2. For payments that are subject to the requirements of ***FAR Subpart 32.9***, PPA interest payments originating or being processed within the operational area will be made only as specified in the contract clause.

* F. Progress Payments. A request for a progress payment may be approved if it meets the requirements specified in ***5 CFR 1315.14(b)*** and the terms of the contract. DoD Components may make progress payments under construction contracts at intervals determined by the contract. Requests for progress payments will conform to ***FAR 52.232-5(b)(1)***. If a contractor fails to conform to the specifications, terms, and conditions of the contract (hereinafter referred to as the 'unearned amount'), then a contractor is obligated to pay the government interest on any unearned amount from the 8th day after the date of receipt of the unearned amount until:

1. The date the contractor notifies the Contracting Officer that the performance deficiency has been corrected; or

2. The date the contractor reduces the amount of any subsequent certified request for progress payments by an amount equal to the unearned amount, per ***FAR 52.232-5(d)(2)***.

* G. Payment for Partial Deliveries. These payments are contingent upon submission of a proper invoice if required by the contract. DoD Components will pay for partial delivery of supplies or partial performance of services after acceptance. Unless specifically prohibited by the contract, the payment clause at ***FAR 52.232-1*** provides that the contractor is entitled to payment for accepted partial deliveries of supplies or partial performance of services

that comply with all applicable contract requirements and for which prices can be calculated from the contract terms. Refer to ***5 CFR 1315.4(k)*** and ***FAR 32.906(c)*** for additional guidance.

*070204. Determining the Invoice Receipt Date

The invoice receipt date must be recorded on the invoice by the activity designated in the contract to receive the invoice immediately upon receipt. This annotation should clearly be identifiable to the designated activity. The invoice receipt date is an integral part of determining the payment due date, the date by which an improper invoice must be returned, and the date on which interest will begin to accrue if a payment is late. Note the requirement to annotate the invoice with the date received. If the designated activity fails to annotate the receipt date, then the invoice receipt date is the date placed on the invoice by the contractor. For invoices electronically transmitted, the invoice received date is the date a readable transmission is received by the designated activity or the next business day if received after normal working hours. Refer to ***5 CFR 1315.4(b)*** for guidance on determining the invoice receipt date.

070205. Determining the Payment Due Date

For payments subject to the requirements of ***FAR Subpart 32.9 "Prompt Payment"***, the payment due date is the date on which payment should be made to avoid paying PPA interest. The payment will be made according to the terms of the contract, if specified.

* A. If the payment due date is not specified in the contract, the date by which a proper invoice must be paid is the later of:

1. Thirty days after the date on which the designated activity receives the proper invoice; or

2. Thirty days after government acceptance of supplies delivered, services performed, or the applicable date of constructive acceptance, whichever is earlier.

As an example, for determining the payment due date, supplies are received on April 20th and accepted on April 29th, and a proper invoice is received on May 1st. The payment period will begin by using the later date of when proper invoice is received (May 1st), or the constructive acceptance date (April 27th which is the 7th day after receipt). In this example the payment period begins on May 1st and ends 30 days later on May 31st. The interest penalty begins accruing on June 1st. Refer to ***5 CFR 1315.4(q)*** and ***FAR 32.904*** for additional policy on determining the payment due date.

* B. A contract modification may be required to establish when a payment is to be made, e.g., award fee. If a payment cannot be entitled without a contract modification, the payment clock will start with the effective date of the modification.

C. If the contract does not require an invoice, then the due date is the date designated in the contract (***FAR 32.904(b)(2)***).

070206. Timely Payment

The PPA requires both timely and proper cash management of government resources. DoD will make payments no more than 7 days prior to the payment due date, but as close to the due date as possible, unless the Secretary of Defense or designee has determined, on a case-by-case basis for specific payments, that earlier payment is necessary. This authority must be used cautiously, weighing the benefits of making a payment early against good stewardship inherent in effective cash management practices (***5 CFR 1315.4(j)***).

A. When the conditions in ***5 CFR 1315.5*** are met, a DoD Component may use an accelerated payment method.

* B. For interim payments under cost-reimbursement service contracts, DoD may make payments at the standard due date of 14 days after the receipt of a proper invoice (***DFARS 232.906(a)(i)***) when using the clause at FAR 52.232-25, Prompt Payment, with its Alternate I. For purposes of computing late payment interest penalties that may apply, the due date for payment is the 30th day after the designated billing office receives a proper invoice (refer to ***FAR 52.232-25***, Prompt Payment, Alternate I).

* C. Payment is considered to be made on the date printed on the check itself, or on the Electronic Fund Transfer (EFT) settlement date. In order to avoid late interest fees, the EFT settlement date (the date funds are credited to the vendor's financial institution) must be no later than the calculated due date.

D. Checks will be mailed or transmitted on the same day for which the check is dated.

E. Payments due (including discount periods) on Saturday or Sunday may be paid on Monday or the next working day without interest. Payments due on legal holidays may be paid on the next working day without interest.

* F. Small businesses, as defined in ***FAR 19.001***, shall be paid as quickly as possible, when all proper documentation, including acceptance, is received in the payment office and before the payment due date. Accelerating payments to small businesses will be accomplished in a phased approach as each DoD entitlement and payment system is modified to accommodate the electronically accelerated payment procedures. However, small businesses shall not be entitled to interest penalties if the Government fails to make early payment (refer to ***5 CFR 1315.5(b)***, and ***DFARS 232.903 and 232.906(a)(ii)***).

070207. Discounts

If a DoD Component is offered a discount by a vendor, whether stipulated in the contract or offered on an invoice, an agency should take the discount if economically justified but only after acceptance has occurred.

A. When a discount is taken, payment will be made as close as possible to, but no later than, the discount date.

B. The ***Department of the Treasury's website*** contains a discount calculator to assist in determining whether the effective discount is economically justified.

C. If a DoD Component takes the discount after the deadline, an interest penalty on any amount remaining unpaid will be due. Refer to ***5 CFR 1315.7*** and ***FAR 32.907(b)***.

D. Refer to Chapter 2 "Discount Offers and Rebates/Refunds" of this volume for additional policy concerning discounts.

070208. Interest Penalties

When Components fail to make payment by the payment due date, interest accrues from the day after the payment due date through the payment date and is automatically paid. If the vendor/contractor provides incorrect banking information, then interest does not begin to accrue until 7 days after the correct information is received (provided the 7 day timeframe for notice of an improper invoice was met). Refer to ***5 CFR 1315.10*** for additional regulatory coverage.

A. Late Payment. Interest will be accompanied with a notice stating the amount of the interest penalty, the number of days late, and the rate used (***5 CFR 1315.10(b)(2)***).

B. Interest Penalty Requirements. The specific interest rate will be applied to the total penalty period (maximum one year interest) regardless of whether the interest period carries over into different interest rate periods. No further interest shall accrue after 1 year beyond the original due date. Interest calculations are to be based on a 360-day year.

C. Additional Penalties. Vendors/contractors may be entitled to an additional penalty payment when the vendor/contractor is owed a late payment interest penalty by DoD of $1.00 or more. The vendor/contractor's entitlement to additional penalties is dependent upon, among other things, its timely submission of a claim for that additional penalty. For information on additional penalties, refer to ***5 CFR 1315.11*** and ***FAR 32.907(c)***.

D. Penalties Due Under Construction Contracts. Refer to ***5 CFR 1315.14(c)***.

E. Exceptions to Interest Penalties Due. Refer to ***5 CFR 1315.10(c)*** to determine when interest penalties are not due to include when interest penalties due are less than $1.00.

F. Computation of Interest Penalties. The Government will compute interest penalties in accordance with the Office of Management and Budget (OMB) prompt pay regulations at ***5 CFR 1315.10*** and ***FAR 32.907***. The ***Department of the Treasury's website*** contains both a simple daily interest calculator and a monthly compounding interest calculator to assist in interest calculations.

070209. Interest Payment Funding

DoD will pay any late payment interest penalties from either the funds available for the administration of the program for which the penalty was incurred ***(5 CFR 1315.10(b)(5))*** or from funds financing the operation of the military department or defense agency with which the invoice or contract payment is associated ***P.L. 107-117, Div. A, Title VIII, Sec. 8084***. All interest payments will be charged to the fiscal year(s) in which they accrue. If the interest is accrued at the end of the fiscal year, but not paid until the beginning of the next fiscal year, the prior year's funds will be cited. If interest is accrued at the end of the fiscal year, and additional interest is accrued in the new fiscal year, the total interest penalty will be funded citing each respective fiscal year's funds where the interest was accrued. This ensures that the interest fund cite represents the bona fide need of the year in which the obligation arises. If the appropriation to which the interest would otherwise be charged is cancelled, the appropriation current on the date of payment will be charged pursuant to ***31 USC 1553 (b)(1)***.

A. Entitlement offices are required to maintain detailed records in support of their determinations, and are to make these records available upon request of any activity determined to have caused a late payment.

B. Interest entitlement may be waived by a contractor by returning the amount of interest paid by separate check or by returning the government check and requesting payment only in the amount invoiced. A contractor may not waive the right to interest in advance of earning the interest (that is, a blanket authority letter stating that any interest penalty payment is not wanted is unacceptable). Interest retained or waived is collected as a refund to the appropriation originally cited for the payment of interest. All refunds of interest or penalties from contractors will be credited to the same line of accounting classification (including fiscal year) that was charged at the time interest was paid. If the appropriation is cancelled or closed, then refunds will be applied to Miscellaneous Receipts of the Treasury.

C. Late payment interest penalties pertaining to procurements financed by a Foreign Military Sales (FMS) contract will be funded by the FMS Trust Fund. For additional information, refer to Volume 15 Chapter 7 "Pricing" of this Regulation.

*0703 DoD COMPONENT HEAD RESPONSIBILITIES

The responsibilities of the DoD Component Head responsible for entitling contract and vendor payments include:

070301. Issuing Internal Procedures

Internal procedures need to be issued that include provisions for monitoring the causes of late payments and any interest penalties incurred, taking necessary corrective action, handling inquiries, and, as necessary:

A. Adopting additional standards for establishing invoice payment due dates necessary to support DoD programs and foster prompt payment to contractors,

B. Adopting different payment procedures in order to accommodate unique circumstances, provided that such procedures are consistent with the policies in the PPA, and

C. Ensuring payments and payment of interest penalties, where required, are timely.

*070302. Informing DoD Contractors

The internal procedures should include informing the DoD contractors of the proper processes for tracking payment status of their invoices and contacting their designated contract payment office.

VOLUME 10, CHAPTER 8 "COMMERCIAL PAYMENT VOUCHERS AND SUPPORTING DOCUMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated December 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
080206	Added recognition of delegated authority from Secretary of Defense to Director of Defense Finance and Accounting Service (DFAS) for determining relief of liability for certifying officers.	Add
080207	Added statement that payments are not authorized without Taxpayer Identification Number (TIN) or Social Security Number (SSN).	Add
0803	Added descriptions to cited authoritative sources for policy.	Add
0804	Clarified supporting documentation wording.	Add
080403.A	Added language that specifies required use of Wide Area WorkFlow (WAWF) for electronic commerce.	Add
080403.A.5	Added Standard Form (SF) 1449 (Solicitation/Contract/ Order for Commercial Items) as an option for an authorized receiving report.	Add
080403.C.1 & C.2	Added contract financing and fast pay payments as an exclusion from required government acceptance prior to payment.	Add
080403.D	Added language to clarify payment policy associated with delivery quantity variances.	Add
080404.A	Added language defining a proper invoice and contracting officer's responsibility to provide the TIN if it is not otherwise present.	Add
080404.B.4	Added SF 1449 (Solicitation/Contract/Order for Commercial Items) as an option for an authorized invoice.	Add
080404.C	Added minimum requirements for recurring payments.	Add

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
080404.D	Added requirement that duplicate invoices be marked as such if obtained from contractor or vendor.	Add
080702.B	Added language for certifying payment requests when supporting documents have been manually altered.	Add
080801.A	Added definition for Emergencies.	Add
080802	Expanded the exemptions from Prompt Payment Act to include emergencies and release of hazardous substances.	Add
Annex 1	Expanded payment matrix to include emergencies.	Add

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CHAPTER 8

COMMERCIAL PAYMENT VOUCHERS AND SUPPORTING DOCUMENTS

0801 OVERVIEW

080101. Purpose

This chapter prescribes the policy for the preparation of commercial payment vouchers and the supporting documentation. It highlights the forms most often used for contracts, receiving reports, and vouchers. It provides guidance on their usage, certification, and distribution to the paying office.

080102. Scope

A properly certified voucher is the authority for Disbursing Officers (DOs) to make payments of government obligations. The certifying officer must review evidence sufficient to support a determination that the payment is proper. Preparation and certification of a payment voucher by the entitlement office advises the disbursing office that the contractual conditions for payment have been met.

0802 AUTHORITY

080201. Federal Acquisition Regulation (FAR)

Title 41, United States Code (USC), Section 1311, establishes the Federal Acquisition Regulatory Council. The Council issues and maintains a single Government-wide procurement regulation known as the ***FAR***. The FAR is the primary regulation for use by all Federal executive agencies in their acquisition of supplies and services with appropriated funds.

080202. Defense Federal Acquisition Regulation Supplement (DFARS)

The Department of Defense (DoD) implementation and supplementation of the FAR is issued in the ***(DFARS)***.

080203. Payment Prevalidation

Public Law 104-61 Sec. 8102, "DoD Appropriations Act, FY 1996" requires that each disbursement be matched to a particular obligation before the disbursement is made (prevalidation). Every year since then, Congress has amended the annual DoD Appropriations Act to require prevalidation. Specific Departmental policy regarding payment prevalidation is located in Volume 10, Chapter 1 section 0103.

080204. Requirements for Disbursing Transactions

The DoD Financial Management Regulation (DoD FMR) Volume 5, Chapter 11 prescribes requirements covering disbursing transactions.

080205. Treasury Financial Manual (TFM) requirements

The ***TFM Volume 1 Part 4*** prescribes requirements on disbursing payment vouchers.

*080206. Payment Certification Requirements

Title 31 USC 3325 authorizes DOs to disburse money only when provided a voucher certified by a properly appointed certifying officer. Volume 5, Chapter 33, describes a certifying officer's responsibilities. The certified voucher attests that the payment is legal, correct, and proper. As stated in ***31 USC 3528***, certifying officers are liable for payments not meeting these requirements. The Secretary of Defense has delegated authority to the Director of Defense Finance and Accounting Service (DFAS) or designee, to make the required determinations and grant or deny relief on all requests for relief of liability. See Volume 5, Chapter 6, section 0604. Officers who certify commercial (goods and services) payments must ensure that:

A. A legal obligation to pay exists (typically a contract),

B. The payee has fulfilled any prerequisites to payment (typically an invoice and receiving report),

C. The amount of the payment and identity of the payee are correct, and

D. The payment is legal under the appropriation or fund involved (typically the correct fiscal year and appropriation).

*080207. Taxpayer Identification Number (TIN)

Title 31 USC 7701(c) requires all payees, subject to the U.S. Internal Revenue Code, doing business with a DoD Component to furnish their TIN (which may be a Social Security Number (SSN) for individuals. Payments will not be authorized without a TIN or SSN on record for required payees (***FAR 4.902***).

*0803 ELECTRONIC PROCESSING.

The Federal Government will use electronic commerce whenever practicable, and/or cost-effective. Specific requirements for electronic processing can be found in:

*080301. Statute Requiring Use of Electronic Commerce

Title 41 USC 2301, "Use of Electronic Commerce in Federal Procurement". This law provides a requirement for the head of each executive agency to establish, maintain, and use, to the maximum extent that is practicable, cost-effective procedures and processes that employ electronic commerce in the conduct and administration of the procurement system of the agency.

*080302. FAR Coverage of Electronic Commerce in Contracting

FAR Subpart 4.5, "Electronic Commerce in Contracting". This subpart provides policy and procedures for the establishment and use of electronic commerce in Federal acquisition as required by Section 30 of the Office of Federal Procurement Policy (OFPP) Act (41 USC 2301).

*080303. Electronic Submission and Processing of Claims for Contract Payments

A. ***Title 10 USC 2227, "Electronic Submission and Processing of Claims for Contract Payments"***. This law establishes for the Secretary of Defense to require that any claim for payment under a DoD contract shall be submitted to the DoD in electronic form.

B. ***DFARS Subpart 232.70, "Electronic Submission and Processing of Payment Requests and Receiving Reports"***. This subpart prescribes policies and procedures for submitting and processing payment requests in electronic form to comply with 10 USC 2227. This regulation specifies exceptions and defines Wide Area Workflow (WAWF) as the accepted electronic form for submission of payment requests and receiving reports.

C. DoD FMR Volume 10, Chapter 17, "Electronic Submissions and Processing" prescribes policy for the electronic submission and processing of claims for contract payments as directed by 10 USC 2227 and DFARS 232.7002.

*0804 SUPPORTING DOCUMENTS REQUIRED TO PROCESS PAYMENTS

Before making a payment, DoD Components must ensure that appropriate payment documentation is established to support payment of invoices and interest penalties. This documentation normally includes the contract/purchase order, receipt/acceptance report, and a proper invoice. See ***Title 5, Code of Federal Regulation (CFR), Section 1315.9*** for additional information on required documentation. Paragraph 080403 below defines the exceptions in which receiving reports are not required prior to payment.

080401. Follow-up for Required Documents

If payments cannot be made due to the non-receipt of receiving reports, copies of contracts, contract modifications, or other required documentation, the entitlement office will follow-up with the contracting or receiving office to ensure that these documents are forwarded in a timely manner. These follow-up requests should be made in time to prevent the possible loss of economically justified discounts (if possible) and to avoid the unnecessary payment of late payment interest penalties.

080402. Contract

A. Definition. As defined by ***FAR 2.101***, a contract is a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. ***FAR Subpart 4.5*** requires the use of electronic commerce in Federal acquisition whenever practicable or cost-effective.

B. Contract Types. ***FAR Part 16*** describes the types of contracts that may be used in acquisitions.

C. Contract Clauses. ***FAR Part 52*** and ***DFARS Part 252*** contain:

1. Instructions for using provisions and clauses in contracts,

2. Contract clauses prescribed by the FAR and DFARS, and

3. A matrix listing of the FAR clauses applicable to each principal contract type and/or purpose.

D. Contract Award. Forms commonly used for contract award include, but are not limited to:

1. ***Standard Form (SF) 26 "Award/Contract"***,

2. ***SF 33 "Solicitation, Offer and Award"***,

3. ***SF 44 "Purchase Order - Invoice - Voucher"***,

4. ***SF 1449 "Solicitation/Contract/Order for Commercial Items"***,

5. ***Department of Defense (DD) Form 1155 "Order for Supplies or Services"***, and

6. ***Optional Form (OF) 307 "Contract Award"***.

E. Contract Modifications

1. ***FAR Part 43*** and ***DFARS Subpart 243.2*** contain the policy and procedures for preparing and processing contract modifications for all types of contracts.

2. ***SF 30 "Amendment of Solicitation/Modification of Contract"*** is a form that may be used for contract modifications.

F. Contract Distribution. ***FAR 4.201*** and ***DFARS 204.201*** prescribe how contracts and contract modifications shall be distributed to the accounting and payment offices.

*080403. Receiving Report

A. Definition. As defined by ***FAR 2.101***, a receiving report is written evidence that indicates Government acceptance of supplies delivered or services performed. Acceptance must occur as a condition of payment in all cases except contract financing payments, interim payments on cost-reimbursement contracts for the acquisition of services, and fast payment procedures as defined in Volume 10, Chapter 7 paragraph 070203.B.1.b. As stated in ***DFARS Subpart 232.70***, contractors will submit payment requests and receiving reports in the accepted electronic form using WAWF. DFARS 232-7003 defines exceptions to this policy. If approved by the contracting officer and stated in the contract, non-electronic forms that may be used as a receiving report include, but are not limited to:

1. ***DD Form 250 "Material Inspection and Receiving Report"***. The primary means for documenting receipt and acceptance of goods and services is the DD Form 250. The ***DFARS Appendix F, Part 3*** contains preparation instructions for the DD 250.

2. ***DD 1155***. The verification of receipt by an authorized government representative constitutes a valid receiving report.

3. SF 44. General procedural instructions governing the form's use are printed on the form and on the inside front cover of each book of forms.

4. Bill of Lading. When the government accepts title at origin (***FAR 47.302***) and the contract does not require source acceptance, the contractor may be paid provided the invoice is supported by a copy of a signed commercial bill of lading or other document containing the carrier's signature indicating the goods were received by the carrier. If the contractor fails to provide this documentation, then return the invoice to the contractor for being improper.

* 5. ***SF 1449 "Solicitation/Contract/Order for Commercial Items"***. The SF 1449 is prescribed for use in solicitations and contracts for commercial items.

B. Follow-up for Receiving Report. If payment cannot be made due to non-receipt of a receiving report, the entitlement office will follow up with the contracting and/or receiving office to ensure the document is forwarded in a timely manner.

C. Receiving Report Not Required. In certain situations, such as contract financing and fast pay payments, a receiving report is not required for payment.

* 1. Contract Financing Payments. With regard to ***5 CFR 1315.2(h)***, contract financing payments provide for an authorized disbursement of monies prior to acceptance of goods or services.

a. Contract financing payments include advance payments, progress payments based on cost, progress payments (other than under construction contracts) based on a percentage or stage of completion, and payments on performance-based contracts.

Title 5 CFR 1315.4(d) & (e) provide for the exception whereby interim payments under cost-reimbursement are treated like contract financing payments in that they are excluded as well from requiring a receiving report and acceptance prior to payment authorization.

b. Contract financing payments do not include invoice payments, payments for partial deliveries, or lease and rental payments. Contract financing payments also do not include progress payments under construction contracts based on a percentage or stage of completion and interim payments under cost-reimbursement service contracts. Interim payments on cost-type contracts for services are not contract financing for Prompt Payment Act (PPA) purposes, but they do not require a receiving report or acceptance.

2. Fast Pay Payments. Fast pay procedures allow payment prior to verification that supplies have been received and accepted, under the limited conditions listed in ***FAR 13.402*** and ***DFARS 213.402***. See Volume 10, Chapter 10 (Section 1005) for additional fast pay guidance.

* D. Variation in Quantity. Quantity variations in contracts may be authorized for both Supply Contracts and Construction Contracts as cited in ***FAR Subpart 11.7***. Variations result when total quantities delivered for a line item deviate from contracted quantities. Permissible variations will be stated in the contract as a percentage of contracted quantity and may be defined as an increase, a decrease, or a combination of both (e.g., plus or minus 10% variance).

1. When a shipment is short of the quantity ordered, the entitlement office will pay, in compliance with the PPA (***5 CFR 1315***), the amount of the invoice that supports the quantity received and accepted unless specifically prohibited by the contract.

2. When the receiving report or the invoice indicates that the shipment is final, but there are undelivered items remaining, the entitlement office will contact the contracting officer and advise of the final shipment and request disposition of the remaining items. The contract will remain open until there is a reconciliation of contract price and items delivered or advised by the contracting officer to close the contract.

080404. Invoice

* A. Definition. As defined by ***FAR 2.101***, an invoice is a contractor's bill or written request for payment under the contract for supplies delivered or services performed. According to ***DFARS Subpart 232.70***, vendors, with few exceptions (see ***DFARS 252.232-7003(b) and (c)***), are required to invoice electronically using WAWF. When vendors are permitted to invoice in a non-electronic manner, they may submit invoices on any type of form provided all contract required items of a proper invoice are included on the document, unless their contract prescribes a specific form of invoicing. Title ***5 CFR 1315.9(b)(1)*** and ***FAR 32.905(b)*** contain the items that must be included on a proper invoice in accordance with the PPA. The required documentation cited in the CFR must contain correct information to constitute a proper invoice and is required as payment documentation. If an invoice is improper or does not meet the contract requirements, then the designated activity will return the invoice to

the vendor/contractor and provide all details regarding invoice deficiencies. An invoice will be returned as improper if the entitlement office has not been provided a valid TIN for the designated payee, subject to the U.S. Internal Revenue Code. If the TIN is not in either the System for Award Management (formerly) Central Contractor Registration, Corporate Electronic Funds Transfer, or within the supporting documentation (to include the invoice), then the contracting officer shall annotate the last page of the contract or purchase order, providing the contractor's TIN and type of organization information to the appropriate payment office in accordance with agency procedures (see ***FAR 4.203***).

B. Forms. Non-electronic forms that may be used, if approved by the contracting officer and included in the contract, as an invoice include, but are not limited to:

1. DD Form 250.

2. SF 44.

3. Delivery Ticket, see Volume 10, Chapter 7 (070203.C.2).

* 4. SF 1449, "Solicitation/Contract/Order for Commercial Items".

* C. Recurrent Payments/Fixed Amounts. Payments for services of a continuing nature (e.g., rents, janitorial services) which are performed under agency-vendor agreements providing for payments of definite amounts at fixed periodic intervals may be made without submission of invoices or bills by the vendor. The voucher prepared by the payment office to support payments of this nature should show, at a minimum, the contract number, the period covered by the payment, the name of the vendor, the amount of the payment, and the account to be charged. The payment voucher will be certified for payment the same as are the vouchers for all other types of payments. Administrative controls should be established for ensuring that recurrent payments are: (1) on unexpired contracts or agreements, (2) for correct amounts, (3) for services actually performed, and (4) are not duplications. See ***TFM Volume 1 Part 4, Section 2025.30***.

* D. Lost or Destroyed Invoices. If an original invoice has been lost or destroyed, then a duplicate will be obtained from the original submitter of the invoice to support the voucher. The invoice obtained shall be marked as a duplicate. A full explanation of the loss or destruction of the original invoice and a statement that steps have been taken to prevent duplicate payments must be placed on or attached to the duplicate invoice. If the information has already been input from the invoice into the entitlement system, payment can be made from the information contained in the entitlement system prior to obtaining a duplicate invoice. In those situations where a duplicate invoice cannot later be obtained from the contractor, an annotation should be made to the effect that payment was made based on our records, a hardcopy duplicate invoice could not be obtained, and the "original" invoices were lost or destroyed. See ***TFM Volume 1 Part 4, Section 2025.40***.

E. Invoices Requiring Administrative Contracting Officer (ACO) Approval. The Defense Contract Audit Agency (DCAA) is the authorized representative of the ACO for

approving all interim vouchers for provisional payment, except the final voucher. DCAA also approves for payment interim vouchers for commercial and non-commercial Time and Material (T&M) and Labor Hour (LH) contracts. See ***DoD Directive 5105.36*** for additional information. The following invoices and vouchers require ACO approval before payment.

1. Completion vouchers under cost-plus, fixed-fee, or other cost-reimbursement contracts;

2. Vouchers and invoices for termination costs under supplemental agreements unless the termination modification specifies the costs to be paid;

3. Completion vouchers under T&M and LH contracts;

* 4. Invoices for progress and performance-based payments under fixed-price type contracts;

5. Vouchers and invoices where the contract requires approval by the ACO before payment;

6. Invoices for the release of "withhold" amounts previously instituted by the ACO; and

7. Any payment request where a DO requires an ACO signature.

080405. Payment Voucher

For specific guidance on payment vouchers, including a description and essential data, See Volume 5, Chapter 11. ***TFM Volume 1 Part 4, Chapter 2000*** contains procedures related to scheduling payments and required payment voucher data. Forms that may be used as a payment voucher include, but are not limited to:

A. SF 44,

B. ***SF 1034 "Public Voucher for Purchases and Services other than Personal"***, and

C. DD 1155.

080406. Multi-Use Forms

Multi-use forms include, but are not limited to:

A. DD 250. The DD 250 can be used as a receiving report and an invoice.

B. DD 1155. The DD 1155 can be used as a contract, receiving report, and a payment voucher.

C. SF 44. The SF 44 can be used as a contract, receiving report, invoice, and payment voucher.

0805 DOCUMENT RETENTION

*080501. Period of Retention

Original payment documentation and associated documents, to include electronically submitted documents, will be retained as government records in a format readily accessible to the entitlement office for a 6-year 3-month period after final payment under the contract. See ***National Archives and Records Administration (NARA), General Records Schedule 3, "Procurement, Supply, and Grant Records"***. Extensions to this record retention period may be warranted on a case-by-case basis when determined necessary that the records are needed beyond the 6-year 3-month period to complete reconciliation of payment or collection discrepancies, audit readiness requirements, or for other necessary purposes.

080502. Additional Retention for Accountable Officers' Records

See ***NARA, General Records Schedule 6, "Accountable Officers' Accounts Records"*** for additional information on document retention for accountable officers' records. Refer to Volume 5, Chapter 21 for additional information on disbursing office records.

0806 FOREIGN LANGUAGE DOCUMENTS

080601. Documents Prepared in a Foreign Language

A. Invoices and supporting documents prepared in a foreign language must be translated before payment to make sure their contents satisfy requirements of the contracting document. See ***DFARS 225.1103***.

B. The documents should be translated in enough detail (contract number, item identification, unit, price, and extension) to enable someone unfamiliar with the language to determine that receipts (material or services) satisfy the contract terms.

1. Documents containing technical terms that cannot be translated by entitlement office personnel should be forwarded to the using or ordering activity for translation.

2. If terms are so technical that a translation cannot be made, then a descriptive translation is adequate provided the using or requiring activity certifies that the items received are what were ordered.

3. If not properly translated, return the invoice to the vendor as improper. See Volume 10, Chapter 7, for information on improper invoice policy.

080602. Multiple Invoices

If several invoices contain basically the same format and wording, then a single translation is adequate provided like invoices support the same payment voucher and:

A. The required certification shows that all data not translated on other identified documents are the same as that translated,

B. All non-common data on all invoices are identified and translated in enough detail to allow an audit by persons not familiar with the language, and

C. A separate translation is attached for each group of different invoices.

080603. Translation Certificate

The translation can be entered over or under the corresponding foreign wording or in its entirety on any available space on the document. If space is not available, then the English translation may be copied on a separate sheet. The translator completes and signs the following certificate on each translated document found satisfactory for payment: "I certify that I am familiar with the ____ language, and that I have made a true and correct translation of the_____." (Signature and Date). Certification may be inscribed on a separate sheet and attached if space is not available on the foreign language document. Certifying officers must ensure payment requirements are satisfied based upon the translation.

0807 PROCESSING ALTERED DOCUMENTS

This guidance regulates pen and ink changes to contractual documents, requests for payment, receiving reports, and invoice documents.

080701. Prohibited Pen and Ink Changes

A. Pen and ink changes are prohibited on all contractual documentation. ***FAR 43.301(a)*** prescribes the use of the SF 30 to make changes to contractual documentation.

B. Pen and ink changes are prohibited by the entitlement office in regards to requests for payments, receiving reports, and invoices for the following information:

1. Payee Identification. Payee identification includes, but is not limited to: name, address, banking information, Commercial and Government Entity code, and TIN.

2. Order Numbers. Order numbers include, but are not limited to: contract, modification, call, task, and delivery order numbers.

3. Money Amounts. Money amounts include any money amount on any of the contractual documents.

4. Line of Accounting (LOA) Data. LOA data includes all information pertaining to the LOA on the contractual document.

5. Officials and Officers. Officials and officers include, but are not limited to, the certifying official, approving official, contracting officer, and all other related information as typed or printed on the contractual documents.

6. Dates. Dates include any dates impacting PPA interest or discounts.

080702. Allowable Pen and Ink Changes

A. Entitlement offices can make pen and ink changes for administrative type errors not described in paragraph 080701.B on requests for payment, receiving report, and invoice documents.

* B. When submitting a payment with manually altered supporting documents, such as requests for payments, invoices, and other documents, a properly certified SF 1034 will be provided to the entitlement office identifying the correct total amount and fund cites to be processed.

0808 EMERGENCIES AND CONTINGENCY OPERATIONS

080801. Definitions

* A. Emergencies. Emergencies are defined in the ***Robert T. Stafford Disaster Relief and Emergency Assistance Act***, as any occasion or instance for which, in the determination of the President, Federal assistance is needed to supplement State and local efforts and capabilities to save lives and to protect property and public health and safety, or to lessen or avert the threat of a catastrophe in any part of the United States.

B. Contingency Operations. A contingency operation, as defined by ***FAR 2.101(b)***, is a military operation that either:

1. Is designated by the Secretary of Defense as an operation in which members of the armed forces are or may become involved in military actions, as evidenced by the execution of an operations plan (operations order) by a combatant commander; or

2. Results in the call or order to, or retention on, active duty of members of the uniformed services or any other provision of law during a war or during a national emergency declared by the President or Congress. For additional information on contingency operations, refer to Volume 12, Chapter 23.

*080802. PPA Exemption

Certain payments made during contingency operations, an emergency, or the release or threatened release of hazardous substances (as defined in ***42 USC 5170-5195c***) may not be subject to the requirements of ***FAR 32.9***. See ***DFARS 252.232-7011*** and Volume 10, Chapter 7.

080803. Simplified Acquisition Threshold

See ***41 USC 1903*** for information concerning the simplified acquisition threshold to support contingency operations. The contracting community is primarily responsible for ensuring the conditions for invoking 41 USC 1903 are met.

080804. SF 44

The SF 44 is designed for on-the-spot, over the counter purchases of supplies and non-personal services while away from the purchasing office or at isolated activities. The amount of the purchase must be at or below the micro-purchase threshold defined in ***FAR Subpart 13.2***, except for purchases made under unusual and compelling urgency or in support of contingency operations. The simplified acquisition threshold applies to the SF 44 for overseas transactions by contracting officers in support of contingency operations. See ***FAR 13.306*** and ***DFARS 213.306*** for the conditions that must be satisfied in order to use the SF 44.

080805. Government-wide Purchase Card

A contracting officer supporting a contingency operation may use the Government-wide commercial purchase card to make a purchase that does not exceed the simplified acquisition threshold. See ***DFARS 213.3*** for information concerning the conditions that must be met.

080806. Certification Guidelines

In addition to a contract, receiving report, and an invoice, certifying officers involved in supporting emergencies and contingency operations will need the information below to ensure the entitlement to payment is valid to certify and make a contract or vendor payment if the payment is exempt from PPA.

A. Contract number,

B. Contractor name,

C. Contractor address,

D. Item description,

E. Item quantity,

F. Item price,

G. Fiscal year and appropriation,

H. Date invoice received by Government Official (or invoice date if receipt date not annotated),

I. Invoice amount,

J. Date of receipt/acceptance,

K. Printed name of government official (receiving activity official authorized to receive and/or accept the items or services),

L. Signature of government official (must match printed name), and

M. TIN

080807. Written Justification

In circumstances where information identified in paragraph 080806 above is not present on one or more of the documents (i.e., contract, receiving report, and invoice), the certifying official may certify that payment if they can make a reasonable linkage among the documents and are confident that there is a legal obligation to pay, the payee has fulfilled any prerequisites to payment, the amount of the payment and identity of the payee are correct, and the payment is legal under the appropriation or fund involved. However, they should justify in writing why they certified the payment absent any of this information. This justification can either be made on the voucher or on a separate attachment provided with the voucher. Annex 1- Contingency Operation Payment Matrix of this chapter provides a matrix tool to assist in identifying the critical data elements necessary to properly certify a payment made in support of an emergency or military contingency operation.

080808. Transportation Cost

If transportation costs are claimed or shipment damage occurs or is expected to occur, then shipping terms should be considered as a critical element.

080809. Control of Funds

* All accounting offices that support emergencies or contingency operations must ensure that accounting and document retention requirements are in place within 30 days of declaration of the operation. Adherence to these requirements is critical to DoD financial stewardship and control of funds.

ANNEX 1MATRIX FOR PAYMENTS IN SUPPORT OF EMERGENCIES AND CONTINGENCY OPE

This annex provides a matrix tool to assist certifying officials in identifying the critical data elements necessary to properly certify a payment made in support of emergencies and contingency operations. The matrix does not apply to contract financing payments since contract terms stipulate the invoicing and related documentation requirements.

When authorized, the Head of the Contracting Activity (HCA), in consultation with the cognizant Comptroller, will make the determination of whether a contract and related payment will be subject to the prompt payment requirements of **Federal Acquisition Regulation (FAR) Subpart 32.9** and in accordance with the criteria outlined in **Defense Federal Acquisition Regulation Supplement (DFARS) Subpart 232.901**. This determination will be reflected in a specific payment clause in the individual contract.

- Emergencies and contingency operations payments made subject to Prompt Payment Act (PPA) requirements must adhere to the payment documentation requirements contained in **Title 5 Code of Federal Regulation (CFR) Section 1315.9**.

- Emergencies and contingency operations payments which are not subject to the PPA requirements must adhere to the documentation requirements contained in the following matrix.

The data elements contained in the matrix, in addition to other requirements which may be imposed by the contract terms or those deemed necessary by the certifying official, are critical requirements for ensuring proper certification. While it is desirable that all elements for a proper invoice, receiving report and contract in 5 CFR 1315 are available for review by the certifier and subsequent processing of the payment, they are not required if the payment is not subject to FAR 32.9.

The matrix in this annex identifies the types of payments (e.g., construction, goods or services) that can be exempt from the PPA and the data elements that are required for each type of payment. The matrix is not intended to be all-inclusive as it is very difficult to predict all types of payments that will be made during emergencies and contingency operations. Many payments fall under the category of miscellaneous payments and each miscellaneous payment may have different data element requirements associated with it.

The certifying official must use professional judgment to determine if a payment request and supporting documentation is sufficient to demonstrate that the payment is legal, correct and proper.

- Critical data element not on all documents. A critical data element may be missing from one document, but present somewhere in the payment package. While all critical, required data elements identified in the matrix for a specific type of payment must be present on the supporting documentation, these data elements do not have to be present on all the documents. In other words, if a

required data element is contained on the contract (e.g., Taxpayer Identification Number (TIN)) but not the invoice, and the certifying official can make a reasonable linkage between the two documents, then the certifying official may certify that payment.

- Critical data element completely omitted. When a payment package does not contain a critical data element as reflected in the matrix, the certifying official must be confident that there is: (1) a legal obligation to pay, (2) the payee has fulfilled any prerequisites to payment, (3) the amount of the payment and identity of the payee are correct, and (4) the payment is legal under the appropriation or fund involved. For any payment package missing any required critical data element, the certifying official must justify in writing why they certified the payment. This justification can either be on the voucher or on a separate attachment provided with the voucher.

CRITICAL ITEMS REQUIRED FOR EMERGENCIES AND CONTINGENCY OPERATION PAYMENTS CERTIFICATION MATRIX

Data Element	Contracts			Leases	Purchase Card Payments
	Services	Goods	Construction		
Contract Number	X	X	X	X	X
Contractor Name	X	X	X	X	X
Contractor Address	X	X	X	X	X
Item Description	X	X	X	X	X
Item Quantity		X			
Item Price		X			
Fiscal Year & Appropriation	X	X	X	X	X
Invoice Date or date invoice received by Government Official	X	X	X		X
Invoice Amount	X	X	X		X
Date of receipt/acceptance	X	X		X	X
Printed Name of Government Official	X	X	X	X	X
Signature of Government Official	X	X	X	X	X
Tax Identification Number (TIN)	X	X	X	X	X

CRITICAL POLICY COMPLIANCE REQUIREMENTS:

1.	A contract, receiving report, and invoice are required documents. The elements identified in the matrix must be present on at least one of the documents. Refer to paragraph 080806 of this chapter for justified exceptions under emergencies and contingency operations.
2.	Cash payments require the seller's signature of receipt attached to the voucher.
3.	For payments for services of a recurring nature, if the contract does not require submission of an invoice for payment, then the contract must specify the payment due date.
4.	An interim payment request under a cost reimbursement contract for services constitutes a proper invoice, if it correctly includes all of the information required by the contract.
5.	Progress payments based on the percentage of completion must be certified by the prime contractor.
6.	The TIN is required for all payees subject to the U.S. Internal Revenue Code. Payees not required to provide TIN include: court order payments, foreign companies, foreign visitors, and U.S. Government agencies. Refer to paragraph 080404.A of this chapter.
7.	Documentation for miscellaneous payments varies, based on the specific type of payment. Refer to Volume 10, Chapter 12 and the **Department of Defense Guidebook for Miscellaneous Payments** for additional guidance.
8.	A certifying official must justify in writing when a payment is made which is missing any required critical data element. This justification can either be made on the voucher or on a separate attachment provided with the voucher.
9.	If transportation costs are claimed or shipment damage occurs or is expected to occur, shipping terms are considered a critical element.

VOLUME 10, CHAPTER 10: "PAYMENT VOUCHERS – SPECIAL APPLICATIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated November 2009 is archived.

PARAGRAPG	EXPLANATION OF CHANGE/REVISION	PURPOSE
100402.D.4	Clarifies Accounting Classification Reference Number (ACRN) allocation rules where systemic liquidation rates are applied for internal controls, enabling full utilization of funding per contract payment instructions.	Update
1006	Clarifies that Royalty and Cooperative Research and Development Agreement (CRDA) Income is available to Federally-owned laboratories, and under limited circumstances Government Owned, Contractor Operated laboratories, for use as authorized by Title 15 United States Code section 3710a, 3710b, 3710c, and 3714.	Clarify

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CHAPTER 10

PAYMENT VOUCHERS – SPECIAL APPLICATIONS

1001 OVERVIEW

100101. Purpose

This chapter prescribes the policy for processing payment vouchers with special requirements. The chapter also provides guidelines for processing cost reimbursement type contracts, intragovernmental, partial, progress, advance, and fast payments.

100102. General

The government uses payment vouchers to process bills and payments for services and supplies. Payment voucher processing described in this chapter relates to vouchers treated outside normal processing policy. Disbursing processing requirements are described in Volume 5, Chapter 11. Standard processing forms include the ***Standard Form (SF) 1080 "Voucher for Transfers Between Appropriations and/or Funds", SF 1081 "Voucher and Schedule of Withdrawals and Credits." SF 1034 "Public Voucher for Purchases and Services Other Than Personal"*** or the ***General Services Administration's (GSA) Form 789 "Statement, Voucher, and Schedule of Withdrawals and Credits"***.

1002 INTRAGOVERNMENTAL PAYMENTS

100201. Completion of Intragovernmental Reimbursement and Transfer Vouchers

A. General. The SF 1080 and the SF 1081 are the authorized vouchers used to process intragovernmental payments. Intragovernmental Payment and Collection (IPAC) system is the primary non-interfund method federal entities use to electronically bill and/or pay for services and supplies within the government. The IPAC system communicates to the Department of the Treasury and the trading partner agency that the online billing and/or payment for services and supplies occurred. Refer to ***Treasury Financial Manual (TFM), Volume 1, Part 6, Chapter 4000*** for further details on how to process transactions using IPAC. Intragovernmental payments are not payments within the meaning of Certifying Officer Legislation, ***31 United States Code (U.S.C.) 3325*** and ***3528***.

B. Authorized Vouchers. All payments shall be supported by one of the formal payment vouchers.

1. SF 1080. Components will use the SF 1080 to bill other government agencies. If the same entity accounts for and reports on the funds charged and credited, then the "billing" and "billed" offices are the same. In such cases, if the transfer is within the same appropriation, then use a journal voucher; if different appropriations are involved, then use the "no check drawn" basis SF 1080.

2. SF 1081. The SF 1081 is used for correcting prior expenditure or collection transactions and for processing expenditure transactions not requiring payment by check.

3. GSA 789. The GSA 789 "Statement, Voucher, and Schedule of Withdrawals and Credits" is an authorized payment voucher for purchases from GSA.

4. Use of SF 1080 or SF 1081. When the following conditions apply, use either the SF 1080 or SF 1081:

a. Surplus articles for which payment is to be made are listed on the voucher or supporting documents at their appraised values.

b. Work and shop orders indicate the unit prices of articles or services furnished or the actual value of personal services, materials, or other direct charges and overhead. When vouchers cover expenses related to the use of equipment, the following certification is placed upon the statement of account: "I hereby certify that the amount billed herein represents cost as determined under ***31 U.S.C. 1535*** and ***1536***." In cases where the account is billed based on unit costs, e.g., per hour, day, mile, rather than by itemization of supplies and services, such unit costs shall include all expenses of operation and maintenance except depreciation.

c. An employee who performs services for another Federal department or agency may be reimbursed provided that an agreement for reimbursement was made before the rendering of such services. Copies of such agreements are attached to the transfer voucher in support of the payment.

d. Articles issued from stock on hand or stock due in are listed on the vouchers or supporting documents. The unit prices of such items are at standard, average cost, or computed on such basis as to ensure proper reimbursement to the agency.

C. Audit of Billings. The entitlement office examines intragovernmental payment vouchers to verify amounts, ensure required information is shown, and validate required certificates are signed. The reviewer verifies accessorial charge rates when levied by non-Department of Defense (DoD) government activities for issues, sales, and transfers of material, supplies, and equipment. Also included is verification that charges do not take into account recurring reimbursement issues (sales) and nonreimbursable transfers of material to other DoD Components, except for sales and transfers pursuant to the military assistance grant aid program and Foreign Military Sales (FMS) programs. After audit and verification for propriety, the entitlement office cites the major accounting classification and "certifies" the voucher for payment.

D. Payments. SFs 1080 are processed on a "no check" basis. "No check" issue vouchers are assigned a disbursement voucher and collection voucher number.

100202. Constructive Delivery or Drop from Inventory

A. General. Components can place orders with another major organization within DoD or another agency for goods or services according to the Economy Act, 31 U.S.C.

1535. Payments from the ordering agency are made promptly upon the written request of the agency or unit filling the order. Payment is made in advance or on providing the goods or services ordered for any part of the estimated or actual cost, as determined by the agency or unit filling the order. A bill submitted, or a request for payment, is not subject to audit or certification in advance of payment. Proper adjustments of amounts paid in advance are made in accordance with prior agreement by appropriate Component personnel or by units on the basis of the actual cost of goods or services provided. DoD is billed based on constructive delivery or drop from inventory as detailed in the following subsections:

1. Constructive Delivery. Constructive delivery is the delivery of material to a commercial carrier, freight forwarder, United States or international post office, or customer at point of production, storage, or test (***DoD 4000.25-7-M, "Military Standard Billing System" (MILSBILLS)***). Delivery is evidenced by completed copies of shipping documents, material shipment status of shipping documents, drop from inventory, or a list of deliveries in a post office. Constructive delivery includes billings for goods accepted by an authorized inspector of another DoD Component providing direct shipment to the consignee. Such billings must be supported with ***Defense Department (DD) Form 250 "Material Inspection and Receiving Report"*** or other authorized document received from the inspector showing shipment. Under constructive delivery, bills are issued when the carrier accepts the goods for transport. Payment under constructive delivery differs from the actual delivery or drop from inventory concept. Constructive delivery bills are accepted and paid without waiting for delivery of the goods.

2. Drop from Inventory. Drop from inventory is the reduction of the quantitative inventory balance. Billing for shipments from stock shall be billed at the standard price in effect at the time the stock is dropped from inventory.

B. Non-interfund Billings from Department of Defense

1. General. Following a supply activity requisition, reimbursable sales of material are billed seven days after the material has been transferred using drop from inventory. Billing shall occur on the basis of drop from inventory or performance of services. Sales of bulk petroleum, oil, lubricants, perishable subsistence, Foreign Military Sales (FMS), and military assistance grant aid shipments have exceptions to the above billing policy. Refer to ***DoD 4000.25-M, Volume 5, Chapter 2, Defense Logistics Management System (DLMS)*** for billing guidelines on these exceptions.

2. Responsibility of Supplying Activity. The supplying activity initiates a request for payment for items supplied to DoD. The supplying activity notifies the requisitioning activity of item substitutions and price or quantity changes. Refer to ***Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 2500*** for further details on the responsibility of the supplying activity.

3. Responsibility of Requisitioning Activity. The requisitioning activity administratively controls funds for commitments and obligations incurred.

a. Based on information received from the supplying activity regarding changes or substitutions, the requisitioning activity informs the supplying activity of any ordered items to be canceled or adjusted using the most efficient and timely method available. If word is not received from the supplying office soon enough to cancel or adjust the order and the supplies received are unacceptable for any reason, then the requisitioning activity may reject the item. Variations in shipment are normally accepted except when price or quantity changes would cause an over obligation of funds.

b. The receiving activity records the amounts and quantities of items approved for payment. When providing reimbursement, the receiving activity annotates the billing and supporting documents to delete unacceptable items or reduce quantities for items unfilled by the supplying activity. The receiving activity adjusts the billing and provides reimbursement for the adjusted amount. The requisitioning and supplying activities determine subsequent disposition of the unfilled items through mutual agreement.

4. Billing Adjustments for Short, Damaged, or Defective Shipments within Department of Defense. The requisitioning activity initiates action to obtain billing adjustments. There is no minimum financial dollar value for requesting or processing billing adjustments or refunds. Unless otherwise indicated in DoD 4000.25-7-M, requests for adjustments, follow ups, and replies shall be submitted by electronic means. When material received was not requisitioned, or if requisitioned material was not received, then discrepancy report procedures rather than adjustment procedures apply. Contact the local supply or requisitioning office for the appropriate discrepancy procedures. When the DoD Component shipping the items is responsible for the discrepancy, the ***SF 364 "Report of Discrepancy (ROD)"*** is prepared by the receiving activity and processed. The Transportation Management Office (TMO) or Transportation Office (TO), as applicable, initiates the ***SF 361 "Transportation Discrepancy Report, (TDR)"***, when the shortage or damage is attributed to the commercial carriers.

5. Other Billing Adjustments or Allowances. The ordering activity is responsible for initiating requests to the billing activity to grant adjustments or allowances that do not arise from shortages, damages, or defects in shipments. These adjustment and allowance requests are often for overages, unacceptable substitutes, or erroneous material received. Approved requests are applied as an adjustment or allowance to the customer account included in the billing document.

6. Billing and Credit for Material Diversions Using Military Standard Requisitioning and Issue Procedures/Military Standard Transaction Reporting and Accounting Procedures (MILSTRIP/MILSTRAP). If the requisitioning activity cancels requisitions and a Material Diversion Confirmation is issued, then the requisitioning activity is credited the amount billed, including accessorial charges. The alternate consignee for material diverted is billed for the standard price and accessorial charges. If the Defense Logistics Agency (DLA) places an order for direct shipment of nonstocked items and the requisitioning activity cancels the order, then the requisitioning activity is billed via the ***SF 1080*** for contract termination costs arising from cancellation of the requisition. DLA notifies the "bill to" activity cited in the canceled requisition of impending termination costs.

7. Missile Propellants. The SF 1080 is the billing document used for missile propellants delivered on a drop from inventory basis. These bills are paid upon receipt using the same SF 1080 to ensure the bill number cited remains the same.

100203. Payments to Defense Working Capital Funds (DWCF)

Payment for services rendered by Defense Working Capital Fund activities is based on the prescribed rates, tariffs, and billing procedures designated. DWCF payments are made with the same policy as constructive delivery and drop from inventory payments described in paragraph 100202.A.

100204. General Services Administration (GSA)

A. General. The majority of GSA billing is accomplished under Simplified Interagency Billing and Collection (SIBAC). When SIBAC is not used, an appropriate billing document is used for purchases from GSA.

B. Requisitions. The supply officer prepares MILSTRIP requisitions for sales from stock or automated direct delivery sales.

1. The ordering activity records the obligation for the material and monitors supply support services. The obligation record is supported with a copy of the price extended requisition or listing of items ordered.

2. GSA advises the ordering activity of changes in prices, quantities, or substitutions immediately after requisition edit by sending advice of changes to the requisitioner. Based on the changes in the order made by GSA, the ordering activity informs GSA of any additional changes desired.

3. The ordering activity is responsible for administrative control of funds. When changes are made in the prices or quantities, or when substitutions of items occur, the ordering activity:

a. Adjusts the previously recorded obligation; or, when funds of the ordering activity will be over-obligated, advises the GSA depot by the most expeditious and economical means available of the requisitioned items to be canceled or adjusted.

b. Accepts substituted items and changes in prices and quantities as detailed in paragraph 100204.B.2. If material that was not ordered or accepted would cause over-obligation of funds, then the substitutions and changes are not accepted. Disposition of material not accepted is arranged by mutual agreement between the ordering activity and the GSA depot. Billing adjustments are made as stated in paragraph 100204.D.

4. GSA stores forward priced copies of ***DD Form 1348-1a (Issue Release/Receipt Document)*** or ***DD Form 1348-2 (Issue Release/Receipt Document With Address Label)*** for stocked items with the shipment to the consignee. For stocked items ordered that are

shipped directly from the supplier, GSA forwards a copy of the supplier's order form. For nonstock items, GSA forwards a copy of the purchase order or a contractor's packing ticket to the entitlement office, the consignee office and the ordering office. These documents show the number of packages, type of packages, description of contents, package numbers, the gross weight, and cube.

C. Non-interfund Billings (GSA)

1. GSA provides selected supplies, equipment, services, space, communications, motor vehicle rental, and other miscellaneous items on a reimbursable basis. These supplies and services are financed from revolving, management, or working capital funds and reimbursement from the components are obtained through periodic billings and collections. Periodic billings and collections allow GSA to operate these programs with a minimum amount of appropriated capital.

2. The ordering activities receive bills from GSA biweekly, monthly, or quarterly after the fact, or in advance on their billing forms. ***GSA Form 789*** is used for billing. GSA is not required to certify such bills. Except for those bills which are rendered in advance (such as rental payments), bills are sent to the components only after there is evidence of actual delivery of material or services or after receipt of evidence of shipment (constructive delivery). GSA furnishes documents or billing cards containing the data necessary to permit identification of the requisition, purchase order, travel order, or other obligating documents. GSA may process requisitions of $1 or less without billing. If such items are not billed 60 days after receipt of the material, then cancel the obligation.

D. Adjustments. GSA adjusts bills when appropriate for transportation type discrepancies attributable to the common carrier, when the discrepancy in shipment is caused by the shipper (GSA), or results from a lost or damaged parcel post shipment. There is no minimum dollar value for requesting or processing billing adjustments or refunds, see ***DoD 4000.25-7-M, Chapter 4***.

1. For lost, damaged, or defective shipments, when the discrepancy is apparently attributable to the common carrier, the receiving activity prepares an SF 361. The GSA processes these claims within Continental United States (CONUS), since they are designated on the government bill of lading (GBL) to make payment of transportation charges to the common carrier.

2. When the discrepancy in shipment is either caused by the shipper (GSA) or results from a lost or damaged parcel post shipment, the receiving activity prepares the ***SF 364***. The receiving activity sends the SF 364 to the GSA National Customer Service Center.

3. Errors in GSA non-interfund billings, other than shipping errors, are corrected by GSA based on a letter from the billed office. The billed office sends a letter to the GSA National Customer Service Center, including a full explanation of the error, and attaches a copy of the billing document that includes the error.

4. GSA processes the SF 364 (ROD) and ***SF 361*** (TDR), replies to the receiving activity, and when applicable, sends an adjusted bill to the billed office. GSA also will process letters advising the billed office of erroneous billings, reply to the billed office, and when applicable, send an adjusted bill to the billed office.

a. If GSA fails to reply to a TDR or ROD, then the receiving activity is responsible for following up with the GSA National Customer Service Center. The receiving activity follows up on requests for adjustments remaining unanswered for more than 14 calendar days after submission. When the initial follow up remains unanswered for more than 14 calendar days, the receiving activity forwards a second and final follow up letter or message to the billing office. When the reply to a TDR or ROD indicates a billing adjustment will not be made, the receiving activity absorbs the resulting gain or loss. When the reply indicates a billing adjustment will be made, the receiving activity provides a copy of the reply to the billed office.

b. If the billing adjustment is not received within 30 calendar days of the date of the reply to the TDR or ROD, then the billed office follows up with the GSA National Customer Service Center for non-interfund bills, by letter, with a copy of the reply to the TDR or ROD attached. If no reply is received to the follow up letter within 14 calendar days, then a second follow up letter is sent from the billed office to the GSA National Customer Service Center.

c. When a second follow up remains unanswered for more than 14 calendar days, the activity with the issue should request assistance from the Finance Process Review Committee via electronic mail at ***HQJ627@dla.mil*** or postal service address:

Defense Logistics Agency J-627
ATTN: DLA Logistics Management Standards
8725 John J. Kingman Road Stop 6205
Ft Belvoir, VA 22060-6217

E. Transportation. GSA pays transportation costs on stock items to all CONUS activities and to United States ports of embarkation for overseas shipments. These costs are included in the GSA standard stock item prices. The consignee pays for transportation charges for nonstock items or, if GSA pays, then these charges are billed to the consignee.

F. Non-interfund Payments

1. Payment is made for material through IPAC within 15 days after receipt of the GSA invoice. Pay the bills as rendered without preaudit or receipt verification, subject only to availability of funds and adjustments for obvious significant errors in dollar amount. If items are deleted from the billing, then fully explain on the GSA billing forms. A follow up system shall be in place to make sure that material paid for is received.

2. GSA billings for material shipped overseas contain a special surcharge for packing, packaging, and preservation of material. These costs are not included in the standard unit prices of the items, but are separately billed. GSA billings for these charges cite the

appropriation fund code shown in the MILSTRIP requisition. A copy of the GSA billing form shall be sent with a check to the GSA Regional Director of Financial Management.

3. Surcharge rates are computed by applying an authorized percentage of the value of the material ordered and delivered, with both Level A and Level B pack, through the GSA regions to DoD customers overseas. These rates are subject to change each fiscal year based on annual review of actual costs by GSA.

4. Accounting Services is responsible for GSA Motor Pool transactions incurred by the local Transportation Officer (TO). Travel section processes payments to GSA or contractors for vehicle rentals authorized by travel orders. Use the data on the documented detail billing cards to identify the requisition, purchase order, travel order, or other obligating document. The billing information shall be compared to the obligation document; if an error is found, then follow instructions in paragraph 100204.D. Payment shall be made within 30 days of the billing date. GSA supports each transaction listed with detail billing cards for use with either mechanized systems or for manual processing.

5. GSA bills for Federal Telecommunication Services (FTS) are authorized by ***31 U.S.C. 1535***. These bills are submitted quarterly and paid in advance, without preaudit or receipt verification and subject only to the availability of funds. These bills shall be paid within 15 days after receipt of the GSA invoice.

G. Billing and Credit for Material Diversions Using MILSTRIP/MILSTRAP. Credit activities that cancel requisitions for a material diversion shall provide confirmation of the amount billed, including accessorial charges. The alternate co-signee for material diverted is billed for the standard price and accessorial charges. Activities canceling requisitions for material for which GSA placed an order for direct shipment of non-stocked items are billed by SF 1080 for contract termination costs arising from cancellation of the requisition. GSA will promptly provide the bill to the activity cited in the canceled requisition of impending termination costs.

100205. Payments to the Government Printing Office (GPO), Library of Congress, and Government Corporations

A. General. When services or supplies are furnished, an invoice is submitted to the requisitioning component. In such cases, the office billed prepares and processes the SF 1080 for payment. The billed office must attach the invoice to the SF 1080. Instead of transcribing the details of the transactions, list each invoice under the caption "per attached invoice" according to date, number, and other identifying data as appropriate. Extend the net amount of each invoice in the amount column. The entitlement office may accept an invoice when miscellaneous items, e.g., publications, subscriptions, films, are acquired from GPO or the Library of Congress. The invoice may be used to support payment instead of a receiving report certification, subject to later adjustment when required. The Defense Logistics Agency Document Services (DLA-DS) is the single DoD focal point for GPO ordering and payment.

B. Payments to Government Printing Office. GPO reimburses the contractor for commercial printing services acquired through that agency. This eliminates the requirement for

the entitlement office to have a receiving report or other evidence of receipt or performance before payment of the GPO billing.

100206. Imprest Funds

An imprest fund is a fixed cash or petty cash fund in the form of currency or coin that has been advanced as Funds Held Outside of Treasury. Federal Agencies have eliminated imprest funds, except for specific waivers described in ***TFM, Volume V, Part 1, Chapter 3000***. Third party drafts are acceptable alternative payment mechanisms for imprest fund transactions where payment by electronic fund transfer has been waived. Volume 5, Chapter 2 provides guidance on imprest funds.

100207. Transfers for Budget Clearing Accounts

The SF 1081 (Voucher and Schedule of Withdrawals and Credits) is used to transfer funds from budget clearing accounts to appropriate Treasury account symbols.

1003 PARTIAL PAYMENTS AND COST REIMBURSEMENT CONTRACTS

100301. Partial Payments

Partial payments are payments given to the contractor after some work has been done; whereas, a commercial advance payment is given to the contractor in anticipation of work yet to be accomplished.

A. When partial payments are made on purchase orders, contracts, or delivery orders, a partial payment record is maintained when more than one payment is required to liquidate the obligation. A separate partial payment record is maintained for each purchase order, contract, or other obligation document requiring partial payments.

B. Partial payments containing discount provisions shall be taken, when proper, based upon the items accepted from the receiving report. See Chapter 2 for discount provisions.

C. Payments covering blanket purchase agreements, call type contracts, and blanket delivery orders are not considered partial payments, except when more than one payment is required on an individual call.

100302. Cost Reimbursement Type Contracts

Cost reimbursement type contracts provide for payment of allowable incurred costs, to the extent prescribed in the contract. These contracts establish an estimate of total cost for the purpose of obligating funds and establishing a ceiling that the contractor may not exceed (except at its own risk) without the approval of the contracting officer.

A. The Defense Contract Audit Agency (DCAA) has sole authority for verifying claimed costs and approving interim payment costs under cost-reimbursement, time and materials, and labor-hour contracts. Contracting Officer's Representatives (COR's) shall not be delegated authority to approve these types of payments. The COR's may review contractor billings, but are expected to coordinate with DCAA when any cost verification of data is necessary in support of their surveillance responsibilities. Therefore, DCAA approves interim payment requests, the Administrative Contracting Officer (ACO) approves the final payment request, and the COR's coordinate with DCAA if any cost verification is needed.

B. Contractors will submit payment requests and receiving reports in electronic form in accordance with ***Defense Federal Acquisition Regulation Supplement (DFARS) 232.7002*** with noted exceptions. When payment requests and receiving reports are not submitted in electronic form, the contracting officer will consult with the payment office and the ACO regarding the preferred method for submitting payment requests. The entitlement office ensures proper approval of all invoices prior to payment.

C. Special payment techniques are required in some cases when the contract includes requirements under the FMS program for more than one country or for one or more countries and the United States. FMS expenditure authority is required for payments or adjustments in the FMS program. Further information is contained at Volume 15.

100303. Partial Delivery

Unless prohibited by the contract, payment is made on partial deliveries accepted by the government, unless the payment amount is less than $10. If the payee specifically requests a payment of $10 or less for goods delivered or services rendered, a certified voucher will be paid by the disbursing office regardless of the amount.

1004 CONTRACT FINANCING PAYMENTS

100401. General

A contract financing payment is defined as an authorized government disbursement of monies to a contractor prior to acceptance of supplies or services by the government. Contract financing payments relieve the contractor from responsibility for the total financing of contracts which extend over a long period of time or are for large amounts of money.

A. Contract financing payments include:

1. Advance payments.

2. Performance-based payments.

3. Commercial advance and interim payments.

4. Progress payments based on cost (***Federal Acquisition Regulation (FAR) 52.232-16***).

5. Progress payments based on a percentage or stage of completion except those made under ***FAR 52.232-5*** (Fixed–Price Construction Contracts) or ***FAR 52.232-10*** (Fixed-Price Architect-Engineer Contracts).

6. Interim payments under a cost reimbursement contract, except for a cost reimbursement contract for services when Alternative I of the clause at 52.232-25 is used.

B. Contracting financing payments do not include:

1. Invoice payments.

2. Payments for partial deliveries.

3. Lease and rental payments.

100402. Progress Payments

Progress payments are made to the contractor when requested as work advances.

A. Progress Payments Based on Costs. These payments are made to the contractor when requested, but not more frequently than monthly and only in amounts approved by the contracting officer in accordance with FAR 52.232-16. Progress payment requests are processed in sequential order.

1. Authorized progress payments are paid against estimated amounts recorded, based on a contract change notification, provisioning order obligation document, or other similar contractual documents. Each contractor request for progress payments shall be prepared and submitted on a separate ***SF 1443 "Contractor's Request for Progress Payment."*** FAR 52.232-16 discusses the computation, liquidation, reduction, suspension and limitations of progress payments.

2. Progress payments may have different liquidation rates. For example, a contract may have different liquidation rates for a payment pertaining to United States effort versus Foreign Military Sales (FMS). In this example, the liquidation rate could be 80 percent for the United States rates versus 90 percent for FMS, and two SF 1443's are prepared. In addition, if more than one FMS country is involved, then the contractor is required to attach a supporting schedule for the SF 1443 identifying the countries and apportionment of payment. Unless directed otherwise in the contract or by the contracting officer, the contractor provides the SF 1443, with supporting information, to the entitlement office designated in the contract instead of an invoice when requesting a progress payment.

3. ***FAR 32.102(b)*** states that progress payments based on costs do not include:

a. Payments based on the percentage or stage of completion accomplished when the contract contains either FAR Clause 52.232-5 or 52.232-10,

b. Payments for partial deliveries accepted by the government,

c. Partial payments for a contract termination proposal, or

d. Performance-based payments (***FAR 32.10***).

B. Progress Payments for Fixed-Price Construction Contracts. The government shall make progress payments on fixed-price construction contracts based on estimates of work accomplished which meet the standards of quality established under the contract. These progress payments, whether disbursed monthly or at more frequent intervals as determined by the contracting officer (***FAR 52.232-5*** and ***FAR 52.232-27***), shall be accounted for as partial payments per paragraph 100301 of this chapter.

C. Progress Payments Based On Percentage of Completion. ***FAR 32.102(e)(1)*** references the statutory authority to use progress payments based on a percentage or stage of completion.

* D. Progress Payment Allocations to ACRNs

1. When allocating progress payments across Accounting Classification Reference Numbers (ACRN), controls will be established to ensure the individual ACRNs are not overliquidated (obligation amount assigned at the ACRN level is not exceeded). ***DFARS Procedures, Guidance, and Instruction (PGI) 204.7108*** outlines the methodology for the payment office to assign payments to the ACRN citation(s).

2. If the progress payment is for FMS requirements, then the portion of the amount approved for payment is charged to each customer country. For the FMS customer to receive a correct billing statement, the long line fund citation must include the country code, implementing agency, country code designator, and the case line number. If each country code contains only one ACRN, then payment is made to the ACRN reporting the country code, implementing agency, and case line item.

3. If there is more than one ACRN for each country code, then the amount charged to each country code is prorated to the ACRNs identified to that country code. Proration is based on the ratio of the ACRN obligation to the total obligation for a particular country code.

4. Progress payments, performance based payments, and commercial item financing will ordinarily be liquidated (charged to an appropriation account) so that the Work-in-Progress (WIP) balance for each ACRN does not exceed the Unliquidated Obligation (ULO) for that ACRN multiplied by the liquidation rate (see paragraph 100404.B.3 of this chapter for progress payment recoupments involving both U.S. and FMS funds). This systematic internal control allows the payment office to ensure that contracts are not overliquidated at the

ACRN level prior to final delivery, even though the payment instructions may state that the payment office is to liquidate payments using the oldest available ACRN before disbursing funds from ACRNs with a longer remaining period of availability for expenditure.

a. If the process described for allocating WIP balances to ACRNs deviates from ACRN allocation instructions within the contract, allocations in entitlement and accounting systems may be established to reflect contract instructions that essentially direct liquidation of contract finance payments from ACRNs with a shorter remaining period of availability for expenditure. This may facilitate liquidation of obligations pursuant to section 1553 of Title 31, United States Code (U.S.C.), prior to closure of the appropriation account by operation of section 1552 of such title.

b. If the contracting officer (CO) determines that another alternate ACRN allocation methodology should be used to liquidate payments for a specific contract, then the CO must negotiate a written agreement to such an alternate methodology with the payment office before that alternate allocation methodology may be used.

5. There are occasions when work is shifted from one contract to another for the same contractor. The shifting of work between contracts should be in compliance with DoD progress payment policy of taking offsets whenever possible. When shifts occur, it is noted that a disbursement adjustment between contracts is a bookkeeping entry and not a payment transaction. Accordingly, when work is shifted between contracts of the same contractor, a progress payment is the net amount of the transactions involved on the contracts. Any transfers of work from one contract to another contract are ordered by a modification to each affected contract.

100403. Advance Payments

Advances are payments made to contractors in anticipation of performance on the contract. Advances are often made prior to the associated costs being accumulated and summarized in the contractor's accounting system. A clause providing for these payments is included in contracts before payment is made. For more details, see ***FAR 32.4***, ***DFARS 232.4***, and Chapter 4.

A. Internal Control. A subsidiary record is maintained for each contract on which an advance payment has been made.

B. Advance Payment Pool Agreements. Advance payments may be used for financing the performance of more than one contract. This is accomplished under a single advance payment agreement called an advance payment pool agreement. Advance payment pool agreements are used for the financing of cost type contracts with nonprofit educational or research institutions for experimental, or research and developmental work, when several contracts or a series of contracts require financing by advance payments. The educational institution uses the advance to pay expenses which will be reimbursed under performance of the contracts. The advance remains "outstanding" as long as there are: contracts remaining in the pool; the need for the amount exists; and there is contract value (unliquidated value on the contract) greater than the amount of the advance. Contracts may cite the funds of more than one agency or department when the contract is part of a pool agreement. When more than one contract is involved in the pool

agreement, one or more of the contracts is designated as the contract for which the advance payments are applied. This is normally a large dollar value contract. The following guidelines apply to DoD Components operating under advance payment pool agreements.

1. The contractor request for an advance payment is approved for payment by the designated DoD Component. The advance payment must cite a specific appropriation associated with the advance payment pool agreement. The approved request is forwarded to the disbursing office.

2. The contractor forwards reimbursement vouchers to the office specified in the contract responsible for reviewing and certifying cost reimbursement payments.

3. Upon receipt of a properly certified reimbursement voucher in the entitlement office, it will be reviewed for accuracy. If proper, then payment is made.

a. The payment must cite the appropriations identified on the contracts listed on the reimbursement voucher.

b. A record will be maintained of all contract financing payments.

c. Payments will not exceed the total amount authorized on the contract.

d. Payments are made within 5 to 10 workdays after receipt of a properly approved reimbursement voucher, but not earlier than the date specified in the pool agreement. These payments are considered a form of contract financing.

4. A ledger is maintained to make sure that payments plus the amount advanced do not exceed the unliquidated obligations of all contracts awarded under the pool agreement. This condition may result from:

a. Failure to receive obligating documents.

b. Nearing completion of the pool contracts.

5. Do not make the payment when it will cause the unliquidated obligations to fall below the advanced amount. If this condition occurs, then notify the designated DoD Component and request further instructions. The Component will advise whether obligating documents are in transit or whether the payment must be processed to liquidate the amount advanced. Take the following actions based on this guidance.

a. If advised that obligating documents are in transit, then hold the payment voucher pending receipt of the obligating documents. After receipt of the obligating documents, make the payment to the contractor.

b. If advised that obligating documents are not in transit, then process the payment to liquidate the amount advanced.

(1) Process the voucher as a dual payee amount (that is, payable to the contractor or the entitlement office).

(2) Do not mail the check to the contractor.

(3) The entitlement office deposits the check and reduces the amount recorded.

(4) Notify the contractor of the reduction.

(5) In the event of contractor default or loss of funds, immediately notify the designated Component to obtain processing instructions.

6. When the advance is recouped or repaid, charge the appropriate contracts in the pool agreement and reduce the amount recorded against the designated contract as advance payments.

7. When a contract is terminated, the disbursing office will collect any balances due for advance payments and accrued interest.

100404. Recoupment Vouchers for Progress and Advance Payments

A. General. Progress and advance payments are recouped either by voucher deductions (from amounts otherwise due the contractor) or extremely rarely by cash refunds. Accomplish recoupments to match the payment requirements delineated in paragraphs 100402, 100403, and this paragraph.

1. Deduction from Vouchers. Prepare the disbursement voucher for completed work for the gross amount due, as though no deduction was involved, charging the applicable account. Then deduct from the gross amount the funds being recouped, citing the progress or advance payment account number. Record the recoupment, and indicate the contract number on both the voucher and recoupment.

2. Cash Repayment. Cash repayments may be required by the provisions of the contract.

B. Progress Payment Recoupment

1. The recouped amount is determined by multiplying the gross amount of the invoice by the liquidation rate. If this amount is greater than the outstanding WIP balance, then the outstanding WIP balance becomes the amount recouped.

2. The recoupment is first computed by applying the recoupment against the outstanding WIP balance of the ACRN to which the delivery is applicable. If sufficient schedule information is available, then any remaining recoupment is against the outstanding WIP balance of the ACRN. The recoupment is against the ACRN representing the delivery furthest into the future within the same service as the deliverable ACRN. If sufficient liquidation is not available within the deliverable service ACRN, then liquidation from the ACRNs of other Services should occur against the delivery furthest into the future. If sufficient schedule information is not available, then the remaining liquidation is prorated against those ACRNs with an outstanding WIP balance within the Service of the deliverable first and then off other Service ACRNs when necessary. The basis for the proration is the individual WIP balance to the total contract WIP balance.

3. Recoupments are not accomplished involving both U.S. and FMS funds unless both are involved with the payment of the deliverable item. If there is a deliverable against a U.S. ACRN, then progress payments are recouped as detailed in paragraph 100404.B.1. If there is an FMS deliverable, then progress payments are recouped against only that country involved with the FMS deliverable as detailed in paragraph 100404.B.1.

4. For invoices offering discounts on contracts with unrecouped (unliquidated) progress payment, see Chapter 2.

1005 FAST PAYMENT

The fast pay procedure allows payment prior to verification that supplies have been received and accepted, under the limited conditions listed in ***FAR 13.402*** and ***DFARS 213.402***. When a purchase is made using fast payment procedures, payment is made based on the supplier's submission of an invoice, which constitutes a certification that the contractor has delivered the supplies to a post office, common carrier, or point of first receipt by the government, and that it will repair, replace, or correct nonconforming items. Payment is made no later than 15 days after receipt of a proper fast pay invoice. Manual invoices will be prominently marked as “FAST PAY” and processed using fast payment procedures. Invoices not prominently marked “FAST PAY” may be accepted for payment. If the contract contains ***FAR Clause 52.213-1***, Fast Payment Procedure, then the invoice may be paid using Fast Payment Procedures. If the Fast Payment Procedure clause is not incorporated into the contract, then the invoice will be paid in accordance with the procedures for invoices to which fast payment procedures do not apply. The contracting officer should be provided timely feedback concerning contractor performance (including deficiencies and any history of abuse) under fast payment purchases. The entitlement office, together with the contracting officer, should ensure the following conditions for use of the fast payment procedure are followed:

A. Use a closed loop process that matches payments to material receipts and resolves nonreceipt or other discrepancies.

B. An information flow that links consignee receipt and discrepancy information to both the purchasing and bill entitlement offices. The information flow documents contractor performance and provides timely feedback to contracting/bill entitlement offices.

C. A management control/audit program by the entitlement office for post-payment examination of payments made under fast pay. The audit shall confirm acceptance and receipt and include matching with payment documents. The first attempt to obtain missing receiving reports will be initiated no later than 45 days after payment is made. If the receiving report is not received within 45 days from the date of the initial follow-up, the entitlement office will contact the contracting officer to verify receipt and acceptance or issue a Report of Discrepancy to the contracting officer for noncompliance with contract terms, so that the entitlement office can start collection actions.

D. A prevalidation process that matches expenditures and obligations for fast pay transactions.

*1006 ROYALTY AND COOPERATIVE RESEARCH & DEVELOPMENT AGREEMENT (CRDA) INCOME

Title 15 U.S.C. 3710a, 3710b, and 3710c permit Federally-owned laboratories, and Government Owned, Contractor Operated (GOCO) laboratories in limited circumstances provided for in subsection 3710a(b)(5), to receive, retain, and use income from licensing patents and CRDAs. DoD Instruction 5535.8 establishes DoD policy for distribution of royalties and other payments received under section 3710c. ***Title 15 U.S.C. 3714*** exempts receipts collected under sections 3710a, 3710b, and 3710c from the requirement that all expenditures be appropriated in advance by Congress. The funds are appropriated funds and regulations, limitations, and requirements applicable to execution of appropriated funds apply. The funds can be used or obligated during the fiscal year (FY) in which they are received or the succeeding FY. Any funds that have not been used or obligated by the end of the succeeding FY must be deposited into the Treasury Miscellaneous Receipt Account.

VOLUME 10, CHAPTER 11: "PAYMENT AS REIMBURSEMENT FOR PERSONAL EXPENDITURES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated August 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Editorial changes for clarity.	Update/ Add/ Delete

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CHAPTER 11

PAYMENT AS REIMBURSEMENT FOR PERSONAL EXPENDITURES

1101 OVERVIEW

110101. Purpose

Military and civilian personnel may request reimbursement for authorized expenditures paid from personal funds. This chapter prescribes the policy for payment as reimbursement for personal expenditures. Additional information concerning personal expenditures is contained in the ***Department of Defense (DoD) Guidebook for Miscellaneous Payments***.

110102. General

Military and civilian personnel should avoid using personal funds to pay for Federal Government obligations. Personnel are reimbursed if the underlying expense was authorized or if there was an urgent and unforeseen public necessity and if the claim is legally payable. Personnel will not use this procedure to avoid normal practices or circumvent laws or regulations.

A. United States military personnel held captive who barter away personal valuables during escape and evasion may also be reimbursed. The proper authority must approve the voucher. The value of each article bartered must be listed and show its age and condition at the time of barter. Attach this list to the certified voucher presented for payment.

B. Civilian personnel who barter away personal valuables during escape or evasions should refer their inquiries to their components legal channels.

1102 PERSONAL EXPENDITURES

110201. Claim for Reimbursement for Expenditure on Official Business

A. Military Personnel and Civilian Employees. Military and civilian personnel claiming reimbursement for expenditure of personal funds without pre-approval must show there was an urgent and unforeseen public necessity. The claimant prepares a claim using the ***Standard Form (SF) 1164*** "Claim for Reimbursement for Expenditures on Official Business" and puts the following statement on the voucher: "I certify this claim is true and correct. There was an unforeseen and urgent reason to spend my funds, and I have not received credit or payments." The claimant signs and dates the certificate. Proper authority must approve the claim. Documents supporting the certified vouchers must show goods or services were received and essential. Items allowable in travel status are in ***Joint Federal Travel Regulation (JFTR), Volume 1*** for military personnel and in the ***Joint Travel Regulation (JTR), Volume 2*** for civilian personnel. Also, see ***Title 5 United States Code (USC), section 5561*** for payments to missing employees.

B. Non-government Personnel. Claims made on the SF 1164 are signed by the claimant and approved by an authorized certifying officer. A certified copy of the document requesting the person to perform the duty will support the claim.

110202. Civil Air Patrol Expenses

Reimbursement is authorized to members of the Civil Air Patrol for supplies, including fuel, lubricants, and other items required for vehicle and aircraft operations through Air Force appropriations. Reimbursement is also authorized for expenses to place into serviceable condition, improve, and maintain equipment (including aircraft, motor vehicles, computers, and communications equipment) owned or leased by Civil Air Patrol. See ***10 USC 9444***.

110203. Conference Attendance.

A. General. Members may attend conferences of recognized professional organizations to maintain and further their professional competency at government expense, subject to the availability of funds and the members' work responsibilities. Conference attendance expenditures which contribute to improved conduct, supervision, or management of the DoD Component's functions and activities may be authorized as prescribed by ***JFTR, Volume 1, Appendix R***, and ***JTR, Volume 2, Appendix R***.

B. Attendance at Technical, Scientific, Professional, or Similar Organizations. The DoD requires specific approval for authorization and reimbursement of expenses associated with attending meetings for technical, scientific, professional, or similar private membership non-Federal societies or organizations (JFTR, Volume 1, Appendix R and JTR, Volume 2, Appendix R).

110204. Notary Public Commission Expenses

An employee required to serve as a notary public in connection with the performance of official duties is entitled to repayment of the expenses incurred in obtaining a notarial commission as authorized by ***5 USC 5945***. Reimbursable expenses include the cost of seals, embossing devices, recording and filing fees, and surety bonds required for notaries by state laws. Notarial reimbursements will not be made for professional association dues or other services not essential for the DoD. The SF 1164 bears a statement that the notary commission is required in the performance of official duties. There is no statutory authority for payment of these expenses to military members.

110205. Medical Personnel Professional Specialty Board Examinations

A. Reimbursement. Personnel of the medical, dental, nursing, biomedical science and medical service corps are authorized reimbursement for fees for application, examination, certification, and other related expenses. Reimbursement of professional accreditation fees is prescribed by ***5 USC 5757***.

B. Contractual Payment. Payment of fees for examinations may be arranged by the contracting officer when this method is acceptable to the agency administering the examination. Payment should be made upon completion of the examination. If the individual fails to take the examination as scheduled and has not been officially excused, then recoupment from the individual will be required.

110206. Passports and Visas

Reimbursement is authorized for DoD employees and their dependents when they are officially required to obtain passports or visas as prescribed by ***JFTR, Volume 1, Chapter 6, Part A*** and ***JTR, Volume 2, Chapter 1, Part B***.

110207. Room and Board for Dependent Children

In limited circumstances, the cost of room and board is reimbursable to sponsors of dependent children when dependent children requiring room and board away from their domicile (not within commuting distance) is prescribed by ***5 USC 5924***. Also, see ***Department of Defense Education Activity Regulation 1342.13*** for more information regarding eligibility requirements for education of dependent children in overseas areas or attendance at non-DoD schools. Use the SF 1034, "Public Voucher for Purchases and Services Other Than Personal" to reimburse the sponsor for the cost of room and board. The SF 1034 is supported by a certificate of performance, which is a receipt covering the actual payment of room and board. A signed statement is required from the school superintendent or principal that the room and board charge was reasonable for the area and there was not a less expensive alternative available for providing adequate education at a school within the same comparable distance.

110208. Travel for Dependent Children

When DoD operated schools are unavailable overseas, DoD Dependent School System coordinates the placement of the students in local public or private schools, or in boarding schools. In limited circumstances, reimbursement for the education travel of student family members is authorized by 5 USC 5924 (4).

110209. Continuing Medical Education Program

Individuals enrolled in approved medical correspondence courses may be reimbursed for course costs prior to course completion. Ensure satisfactory proof of expenses is presented by the claimant before making payment. Appropriate debt collection steps are to be initiated for non-completion of course.

110210. Official Entertainment

Unless otherwise specifically authorized by the Head of a DoD Component, Official Representation Funds are expended by commanders only for official entertainment or other official purposes authorized by ***10 USC 127*** and ***DoD Instruction 7250-13.***

110211. Awards Ceremony Fees

The Government may reimburse fees paid by award nominees, award recipients, their supervisors and managers to attend ceremonies that fall within the scope of the Government Employees Incentive Awards Act, (***5 USC 4501-4506***) and ***10 USC 1124***. Fees may cover items such as a meal, refreshments, plaques, and awards. The Government will not authorize advance payments. The ***JFTR, Volume 1, Appendix E*** and ***JTR, Volume 2, Appendix E*** authorizes invitational travel for an individual's attendance at an incentive award ceremony which is related to an award presentation. Individuals will request reimbursement on travel vouchers, if applicable, or on the SF 1164.

110212. Defense Attaché Payments

Amounts authorized for expenses to maintain a suitable official residence are reimbursable for military attaché officers and may vary by location. Use the ***DD Form 281,*** "Voucher for Emergency or Extraordinary Expense Expenditures" to make payments, subject to approval by the Head of the cognizant DoD Component. Emergency and extraordinary expenses are prescribed by 10 USC 127. Also see the Defense Intelligence Agency Manual 100-1, Volume II, Defense Attaché Manual for Administration, for more information regarding attaché reimbursements.

110213. Payment for Contract Quarters for Foreign Military Sales (FMS) Travelers

Payment for the use of contract quarters is reimbursable for personnel traveling on official orders in connection with FMS. See ***DoD 5105.38-M***, JFTR, Volume 1, JTR, Volume 2, and appropriate DoD Component regulation.

110214. Reimbursement for Use of Special Conveyances

JFTR, Volume 1, Chapter 3, Part E and JTR, Volume 2, Chapter 2, Part C prescribe allowable reimbursements for commonly incurred expenses associated with public or special conveyances used during Temporary Duty (TDY) or Permanent Change of Station (PCS) travel.

110215. Official Recruiting Duty

A member of the Military Departments assigned to perform recruiting as either primary or additional duties, is entitled to reimbursement for actual and necessary expenses paid from personal funds. See JFTR, Volume 1, Chapter 7, Part C (U7030) for reimbursable items and limitations.

110216. Reimbursement for Local Movement of Household Goods

When local moves of household goods of military personnel are authorized in accordance with the JFTR and the moves are made at personal expense, claims for reimbursement will be submitted to the designated entitlement office on a SF 1164. A copy of the order directing the move and a copy of the authorization issued by the transportation or shipping officer to move

household goods at personal expense will be furnished with the claim and attached to the retained copy of the paid voucher. Receipts for expenses claimed will be reimbursed as prescribed in the JFTR.

110217. Mortuary Expense for Deceased Personnel

A. General. Specific service regulations authorize and prescribe the services and expenses for the care and disposition of deceased personnel. Payment for services, supplies, and transportation, or for expenses incurred by the next of kin, is authorized as prescribed by ***10 USC 1482***.

B. Primary Expenses. Primary expenses for active duty military can be provided under contract with a local mortuary. These contracts are normally covered by the Prompt Payment Act and paid as such.

C. Secondary Expenses. Payments for secondary expenses may be assigned to a mortuary or made as a reimbursement to the next of kin for expenses incurred. Secondary expense payments, whether assigned or not, should be expedited and not delayed. Payment of secondary expenses should be treated as payment of a claim.

110218. Reimbursement for Civilian Medical and Dental Treatment Paid from Personal Funds

A. Members. The cost of authorized civilian medical and dental treatment for members is ordinarily paid directly to doctors and hospitals by each Military Service. However, claims for reimbursement from individuals who have defrayed the expense of authorized care will be paid on an SF 1164. The SF 1164 will bear the claimant's signature on the face of the form as well as the certification of the approving authority and will be supported by paid itemized invoices.

B. Dependents of Members. Civilian non-Federal medical and dental care for dependents and retired personnel is prescribed by ***32 CFR 199***. TRICARE Management Agency (TMA) is the civilian care component of the Military Health System. TRICARE has the responsibility for contracting and paying for medically necessary care from the civilian sources that is received by eligible dependents and retired personnel. When Medical Treatment Facilities (MTF) are managing the care of dependents and retired personnel, and must refer such personnel to civilian facilities for care that is beyond that MTF's capability, payment for that supplemental care is authorized.

C. Civilian Personnel. Physical examinations to determine an employee's fitness-for duty, when directed by the commanding officer or supervisor, are authorized in accordance with ***5 CFR 339.203***. Examinations may be procured through the appropriate purchase method or the employee can make his or her own arrangements including direct payment for the physical examination. Procured examinations will be processed in the same manner as other contractor invoices or the employee may submit a claim for reimbursement. The employee claim will be submitted to the appropriate official for approval.

The claim will contain a chargeable line of accounting, an amount payable supported by a paid statement from the physician or other evidence of payment, and certified for payment by the appropriate certifying official. The appropriation is chargeable to the operating funds of the DoD activity requiring the physical examination.

110219. Reimbursement Expenses Under Government Employees Training Act

5 USC 4109 authorizes reimbursements for necessary expenses such as tuition and matriculation fees, library and laboratory services, and other services or facilities directly related to training. The claim should include:

A. Receipts for each payment $25 or more.

B. SF 1164, including details of expenditures such as services rendered and dates.

C. Signatures on the SF 1164 are required of the claimant, the approving official and the authorized certifying official.

110220. Reimbursement of Miscellaneous Expenses to Defense Security Service (DSS)

Reimburse DSS agents for investigative costs, such as parking fees, police and court record checks, transcripts, photographs, or miscellaneous investigative fees. The DSS Headquarters provides the servicing entitlement office its accounting classification for reimbursements. Such authority will be cited on the claim for reimbursement.

VOLUME 10, CHAPTER 12: "MISCELLANEOUS PAYMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated July 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
120201	Incorporated Policy on Funding of Freedom of Information Act (FOIA) Attorney Fees as issued in Under Secretary of Defense Comptroller memo entitled "Funding Freedom of Information Act (FOIA) Attorney Fees" dated July 27, 2011.	Add

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CHAPTER 12

MISCELLANEOUS PAYMENTS

1201 OVERVIEW

120101. Purpose

This chapter prescribes policy for certain miscellaneous payments. Additional information concerning miscellaneous payments is available in a ***Department of Defense (DoD) Guidebook for Miscellaneous Payments*** issued by the Office of Defense Procurement and Acquisition Policy.

120102. Policy

Miscellaneous payments are subject to the obligation standards identified in Volume 3, Chapter 8 and procedures identified in the DoD Guidebook for Miscellaneous Payments.

A. Payments will be requested using ***Standard Form (SF) 1034*** (Public Voucher for Purchases and Services Other than Personal) (or substitute electronic version), ***SF 1164*** (Claim for Reimbursement for Expenditures on Official Business), or other approved forms. Guidance for disbursement vouchers can be found in Chapter 8; and Volume 5, Chapter 11; and Volume 5, Chapter 33.

B. Submitting activities must provide payment offices with a ***Defense Department (DD) Form 577*** (Appointment/Termination Record) for certifying officials.

C. The approved SF 1034 will contain a valid line of accounting obligated as specified in Volume 3, Chapter 8. Processing of the payments through a DoD payment system may require the configuration of unique standard document numbers.

D. All payments require all claimants to provide a Tax Identification Number (TIN) in accordance with ***Title 31 United States Code (USC), section 3325(d)***. Vendors or contractors are required to be registered in ***System for Award Management*** (SAM) as prescribed by ***Federal Acquisition Regulation (FAR), Subpart 4.11***. Conditions under which registration in SAM is not required prior to the award of a contract agreement are found at the FAR 1.1102.

1202 FEES, CLAIMS, AND AWARDS

*120201. Attorney Fees Awarded Under Freedom of Information Act (FOIA)

Title 5 USC 552 requires release of agency records requested under the authority of the statute unless a specific exemption authorizes its withholding.

A. Under the provisions of the FOIA, a federal district court judge may award attorneys' fees and litigation costs to a party that substantially prevails in litigation against the government. The Openness Promotes Effectiveness in Our National Government Act (OPEN) of 2007 (***Public Law 110-175, Section 4***) stipulates that fees assessed in FOIA litigation are no longer payable from the Department of Justice Judgment Fund and must be paid from appropriated funds of the agency or agencies from which the plaintiff has obtained relief by judgment of the court or substantial change in agency position.

B. It is Department funding policy that the attorney's fees and other costs assessed in the FOIA litigation are to be paid from operating funds of the Military Department, Defense Agency, Field Activity or Combatant Command responsible for administering the initial FOIA determinations or contested record searches that are the subject of the litigation. The funding organization will not necessarily be the organization named as a defendant in the litigation. Funds current at the time of the attorney fee award determination shall be used for payment.

C. Litigation involving record or FOIA determinations of multiple organizations may require funding responsibility to be allocated among such organizations. Counsel responsible for defending the litigation ordinarily is in a position to identify the organization that should fund a portion of the attorney fee assessments and should be consulted accordingly.

120202. Attorney Fees Awarded by Court

The Department of Justice (DOJ), in most cases, is the federal agency designated to represent DoD in litigation. Additionally, the DOJ is funded to make payments of properly awarded attorney fees. (Fees awarded in discrimination cases are exceptions. See paragraph 120311 for more detail on discrimination cases). Attorney fees must be awarded by a court of competent authority and normally are paid by DOJ from its permanent appropriation. If such fees are not payable from this appropriation, then the DOJ provides guidance on a case-by-case basis.

120203. Attorney Fees Awarded Under the Equal Access to Justice Act

A. The Equal Access to Justice Act (EAJA), as amended by the Equal Access to Justice Reform Act of 2005, ***5 USC 504*** authorizes payment of attorney fees and other expenses incurred by the prevailing party (other than the United States) in civil actions and in administrative proceedings. The party prevailing against the Department in adversary adjudication or in a court action may obtain an award of attorney fees and other expenses incurred in connection with the proceeding.

1. In adversary adjudications, application for the amount sought must be submitted to the DoD activity involved within 30 days of final disposition in the adversary adjudication (See 5 USC 504).

2. In court actions, the application for an award of attorney fees and other expenses must be submitted to the court within 30 days of final judgment in the action (See ***28 USC 2412***).

3. In both cases, the application must be supported by an itemized statement from the attorney, agent, or expert witness stating the actual time spent and the rate at which fees and other expenses were computed.

B. Attorney fees and other expenses awarded to claimants under EAJA are paid from funds available to the DoD activity at the time that the award is made. Attorney fees payable under EAJA are limited to $125 (5 USC 504) per hour unless the adjudicating officer (deciding official) or the court in civil actions determines that a higher rate may be allowed under the law. Other expenses include those for expert witnesses and for any study, analysis, engineering report, test or project necessary for the preparation of the party's case. Make payment in the amount approved by the adjudicating officer, or by the court in civil actions, based on documentation from the adjudicating officer or the court.

120204. Attorney Fees Awarded Under Contract Disputes

Attorney fees payable in connection with an action filed by a contractor under the Contract Disputes Act of 1978 (***41 USC 7101-7109***) will not be included in any payment made by the Treasury Department to the contractor. Attorney fees awarded in these cases will be paid out of funds current at the time the award is made and available to the activity accountable for the contract obligation (***41 USC 7108***).

120205. Awards Made to Bid Protesters Under the Competition Act of 1984

If the Comptroller General determines under the Competition Act of 1984 ***(31 USC 3551-3556)*** that a solicitation for a contract or a proposed award or the award of a contract does not comply with a statue or regulation, then the Comptroller General may decide that the protesting party is entitled to the payment of costs associated with filing and pursuing the protest, consultant and expert witness fees, bid/proposal preparation, and reasonable attorney fees. See ***31 USC 3554(c)(2)(A)-(B)*** for limitations.

A. The payment of costs of bid and proposal preparation amounts must be made from the funds of the activity funding the contract within 30 days (31 USC 3554) after receipt by the contracting office. A copy of the Comptroller General decision, along with a statement of costs incurred and approved by the contracting officer, will be used to support the payment.

B. A successful bid protester must certify, to the best of one's knowledge and belief that the statement of cost submitted for payment:

1. Contains only costs that are legitimately payable pursuant to the guidance set forth by the ***Government Accountability Office (GAO)*** in connection with payments of attorney fees and bid preparation costs, and

2. Are complete and accurate.

120206. Claims Under the Federal Tort Claims Act and Other Non-Contractual Claims

A. Persons designated to approve or disapprove claims cited under these statutes and the regulations governing preparation, submission, adjudication, and payment of the claims can be obtained from the local office of counsel or judge advocate office. Claims approved by the Secretary of a Military Department, or by designated approving authorities in the office of counsel or judge advocate general, will be sent to the appropriate office for payment of the public voucher. Claims approved by other designees are forwarded to the local entitlement office that serves the approving authority for payment of the public voucher.

B. The Secretary of Defense or designee is authorized to pay claims against the United States for monetary damages. Instructions are cited in the DoD Guidebook for Miscellaneous Payments.

120207. Claims under the Foreign Claims Act, 10 USC 2734

The Foreign Claims Act ***(10 USC 2734)*** authorizes the Secretaries of the Military Departments, or their designee, to appoint claims commissions to approve or disapprove claims cited under the Act. Claims commissions also may approve or disapprove claims under international agreements cited under 10 USC 2734b. Contact the local office of counsel or judge advocate office for the regulations governing preparation, submission, adjudication, and payment of these claims. Claims approved will be forwarded to the nearest DFAS disbursing office serving the country concerned.

120208. Payments to Contractors under the Contract Disputes Act of 1978

Payments to contractors when the contracting officer approves claims under the Contract Disputes Act of 1978 (41 USC 601-613) covered under ***FAR 33.2*** and ***FAR 52.233-1*** are handled as follows:

A. If funds for claims are available and the contractor does not appeal, then settlement is made by the responsible entitlement office from funds cited on the contract.

1. After final agreement with the contractor, the contracting officer should initiate an ***SF 30*** (Amendment of Solicitation/Modification of Contract) to obligate the funds.

2. Upon receipt of the contractor's invoice and the SF 30, payment can be made, including interest from the date the claim was received by the contracting officer to the date of payment.

B. If funds for claims are not available, then the contracting officer may refer the claim to the ***Armed Services Board of Contract Appeals (ASBCA)*** and request that the

ASBCA approve settlement of the claim from the judgment fund. Reimbursement to the judgment fund is made upon receipt of a bill from the Treasury Department from current and available funds or by obtaining additional funds (41 USC 612) as stated in paragraph 120208. The procedures for payment of amounts under the Contract Disputes Act by the ASBCA or the Court of Federal Claims are in paragraph 120208.

120209. Payment to Contractors Based on Decisions of Board of Contract Appeals or Court of Federal Claims

A. Court action may follow contract termination by the United States. If it does, then payment may be due the contractor when final judgment is against the United States. Should this happen, send a transcript of the court judgment directly to the GAO, Washington, DC 20548 (except for claims settled under the Contract Disputes Act of 1978 as noted in paragraph 120208.B). GAO settlement is required by ***28 USC 2414*** on final judgment by the United States District Courts and by ***28 USC 2517*** on final judgments by the Court of Federal Claims. The GAO pays from the Treasury Department general funds. Do not use Operations and Maintenance or other appropriated funds for this purpose.

B. Payment of claims under the Contract Disputes Act of 1978 (41 USC 601-613 and FAR 33.2 and 52.233-1) is covered by 41 USC 612. Judgments against the United States by the Court of Federal Claims and monetary awards to a contractor by the ASBCA are authorized to be paid and charged to the permanent judgment fund established by ***31 USC 1304***. Amounts paid may include interest from the date the claim was received by the contracting officer to the date of payment.

C. Payment of attorney fees claimed by the contractor may not be included in amounts paid from the judgment fund in these cases. Attorney fees are processed under the Equal Access to Justice Act as noted in paragraph 120203. The Contract Disputes Act requires that the activity whose funds were used for the contract must then reimburse the judgment fund out of available funds or by obtaining an additional appropriation.

120210. Payments to Reimburse the Treasury Department for Payments in Settlement of Contractor Claims

Upon certification by GAO, the amounts of contractor claims settled under the Contract Disputes Act of 1978 may be paid to the contractor by the Treasury Department from the permanent judgment fund. Amounts paid to contractors are reimbursable to the Treasury Department from the appropriation available for the purpose of the contract or by obtaining additional funds for such purpose. If funds are not available in the proper account to cover invoices received from the Treasury Department, then request additional funds through appropriate channels. Amounts reimbursed to the Treasury Department are charged to current funds as cited in Volume 3, Chapter 8.

120211. Interest Awarded to a Contractor by the Armed Services Board of Contract Appeals

A. Applicable interest rates are established by the Secretary of the Treasury Department under ***31 USC 3902*** in January and July of each year. Rates are announced on the ***Treasury Department website***.

B. Interest is computed from the date that the contracting officer received the claim or the date that payment is due, when that date is later, until the date of payment. See ***FAR 33.208***.

C. If the claim is based on antecedent liability, then interest payments are chargeable to the appropriations current at the time the basic contract was executed. A contract claim is based on antecedent liability when the modification or adjustment is within the general scope of the original contract and is made pursuant to a provision, such as an amendment to the original contract. Contract claims not based on antecedent liability are chargeable to appropriations current when the claim is allowed (Volume 3, Chapter 8).

D. Claims in paragraph 120211 exclude interest penalty claims applicable to the Prompt Payment Act (PPA) cited in ***5 CFR 1315***. PPA interest must be paid from the funds available for the administration of the program for which interest was incurred or from funds financing the operation of the military department or defense agency with which the invoice or contract payment is associated ***Public Law (PL) 107-117, Div A, Title VIII, Sec. 8084***. All interest payments will be charged to the fiscal year(s) in which they accrue. In case of cancelled appropriations, the current fiscal year will be charged any interest payment ***(31 USC 1553 (b)(1)***. Interest due the contractor is payable from the date the contracting official receives the claim until payment is made.

120212. Return of Absentees

Under ***10 USC 956***, certain claims are authorized and paid as follows:

A. Reimbursement for Actual Expenses. When a reward has not been offered or when conditions for payment of a reward otherwise cannot be met, reimbursement, not to exceed $75, may be made to any person or agency for actual expenses incurred in the apprehension, detention, or delivery to military control of an absentee or deserter. If two or more persons or agencies join in performing these services, then payment may be made jointly or separately, but the total payment or payments will not exceed $75. Reimbursement will not be made for the same apprehension and detention or delivery for which a reward has been paid. Actual expenses for which reimbursement may be made are found in DoD Guidebook for Miscellaneous Payments and will include:

1. Taxicab, bus fare, or mileage at the per mile rate established by the Joint Travel Regulation for a privately-owned conveyance when travel is performed either by the citizen or officer and prisoner, or a round trip from either place of apprehension or civil police headquarters to place of return to military control.

2. Meals furnished the member for which the cost was assumed by the apprehending person or agency representative.

3. Telephone or telegraph communication costs.

4. Damage to property of the apprehending person or agency if caused directly by the member during his or her apprehension, detention, or delivery.

5. Such other reasonable and necessary expenses incurred in actual apprehension, detention, or delivery as may be considered justifiable and reimbursable by the commanding officer.

B. Reimbursement for Subsistence Furnished. Civil authorities may be reimbursed for the cost of subsistence furnished to military personnel placed in their custody for safe keeping at the request of military authorities. Such reimbursement will be in addition to rewards and reimbursement for actual expenses. Payment of subsistence will be made in accordance with the procedures for payment of other actual expenses except that an itemized statement of charges approved by the officer who directed the confinement is required.

C. Condition for Payment. Before a reward is payable, there must be a notification issued for the return to military control of the absentee, deserter, or escaped military prisoner. Receipt of ***DD Form 553*** (Deserter/Absentee Wanted by the Armed Forces), oral or written communication from military or federal law enforcement officials, or entering the individual's name in the ***National Crime Information Center (NCIC)***, constitutes notification.

D. Amounts Payable

1. A reward of $50 is paid for the apprehension and detention until military authorities assume physical control of the member.

2. A reward of $75 is paid for the apprehension and delivery of the member to military control.

E. Voucher Preparation. An SF 1034 is prepared and certified by the personnel officer or other certifying official designated by the commanding officer of the activity to which the apprehended member was released. In addition to the other routinely required data items on an SF 1034, the following information must also be shown on the voucher:

1. The member’s name, Social Security Number, organization from which the member is absent, and the date and place military authorities resumed control.

2. A statement that the payee apprehended and detained, or apprehended and delivered the member.

3. The military appropriation of the parent military service of the person apprehended.

F. Voucher Support. For payment of reward, attach a copy of a DD Form 553 or a certificate from the organization of the absentee or written notification from military or federal law enforcement officials stating that the absentee's return to military control was desired. For reimbursement of actual expenses, attach an itemized statement of allowable expenses.

G. Payment. Upon receipt of the SF 1034 claiming payment the entitlement office reviews the voucher for propriety and if proper, pays the person or agency concerned.

H. Reimbursements. Reimbursement will not be made for:

1. Lodging at nonmilitary confinement facilities,

2. Transportation performed by the use of official federal, state, county, or municipal vehicles, or

3. Personal services of the apprehending, detaining, or delivering person, or agency. Payment of actual expenses will be made in accordance with the payment procedures in this paragraph except when an itemized statement of costs approved by the commanding officer is required and notice of DD Form 553 or other form is not required.

1203 PURCHASES OF SPECIAL ITEMS AND SERVICES

This section provides guidance for various special items and services for non-recurring and non-contractual purchases.

120301. Advertising

A. Newspapers. In accordance with ***44 USC 3702***, prior to advertising in newspapers, trade journals, and similar publications, written authority to advertise must be received from the cognizant DoD Component Head or from a person who has received written delegation of authority from the Head of a DoD Component. Such delegation of authority cannot be re-delegated. Newspaper advertisements will not be paid unless presented with the bill and a copy of the written authority. Requirements for payment and retention of documents are:

1. Providing Substantiating Documentation. Procurement documents for official advertising provide that each invoice accompanied by an affidavit of publication or a copy of the publication or advertisement (known as a "tear sheet") will be submitted to the purchasing office. The officer placing the advertisement will attach to the invoice a copy of the procurement document and evidence of authority to advertise and forward the invoice to the designated entitlement office. Except in cases of blanket authority to advertise, the public voucher for advertising will be accompanied with a copy of the original authority to advertise signed by the Head of the DoD Component or an officer delegated to authorize advertising. If advertising was authorized by a delegated officer, then a copy of the delegation will be attached to the first public voucher paid under such delegation and will be referenced on subsequent

vouchers. When the authority to advertise is given to several activities in the form of a notice or instruction issued by the Head of a DoD Component on that official's delegated authority, a reference to the authorizing notice or instruction on the advertisement order is acceptable in lieu of a copy of the authority.

2. Retainment of Supporting Documents. Every account for official advertising rendered will be accompanied by a tear sheet in which the advertisement appeared as a proof of publication. If tear sheets are not available, then an affidavit or publication may be furnished in lieu thereof. The affidavit will be signed by an official of the publishing firm or advertising agency with which the order was placed and, in the case of advertising in newspapers or periodicals will identify the issues in which the advertisement appears. Tear sheets or affidavits submitted as proof of publications will be attached to the certified memorandum and public voucher. Documentation will be retained in accordance with Volume 5, Chapter 21.

B. Radio Advertising. The requirement of written authority for advertising from the Head of a DoD Component or from a person who has received written delegation of authority does not apply to radio advertising. The other restrictive provisions, relating to advertising in 44 USC 3702 do not relate to radio advertising. There are no general restrictions upon the use of appropriated funds for radio advertising in promotion of objectives for which funds are appropriated.

120302. Arbitrator Fees

The use of arbitrator services under negotiated grievance procedures of management and labor union agreements is authorized. These services normally are acquired by issuance of a ***DD Form 1155*** (Order for Supplies and Services) which specifies payment terms and conditions. The civilian personnel office submits approved documents to the responsible activity for funds certification and reservation of funds before obtaining contract action. Upon completion of services, the civilian personnel office certifies that services have been received. This certificate serves as documentation representing the receiving report required for payment. Pay the arbitrator on the date specified in the contract. If the contract does not contain a due date, then pay as close as possible to (but no earlier than 7 days before) 30 days after the later of invoice receipt date or date of acceptance of service.

120303. Automobiles

The use of appropriated funds to purchase or hire passenger motor vehicles must be specifically authorized by appropriation act or other law (***31 USC 1343, 1344,*** and ***1349***). Articles used with a car but not permanently attached to or not an integral part thereof (Tire chains, fire extinguishers, safety flares, removable seat covers, transportation of the vehicle, and taxes) are not included in the purchase cost limitation.

120304. Blood Purchases

Blood supplies may be purchased with appropriated funds for persons entitled to medical treatment at government expense (***24 USC 30***).

120305. Border Clearance Inspectors Overtime Expenses

If border clearance inspectors are required to work overtime or on Sundays and holidays at a DoD installation, then the DoD installation pays the overtime expenses incurred, including travel and subsistence when appropriate. Travel and subsistence are not paid for border clearance officials regularly assigned to DoD installations. When additional inspectors are required to supplement the regularly assigned inspection staff, the DoD installation pays for their overtime, travel, and subsistence. If a DoD aircraft lands at a site other than a DoD installation, then the home station of the aircraft will pay the charges. When a DoD aircraft lands at a DoD installation, the installation providing the clearance service bears the expense of the border clearance inspection. These charges should receive financial approval and reservation of funds in the amount certified as soon as the claim is approved. The DoD official designated to make the necessary arrangements will maintain appropriate records, submit requests for overtime, and certify billing documents for payment. Billing forms of the federal agency providing the service are acceptable. Make payment on the basis of a certificate that services were received and accepted. Invoices from one agency may be consolidated and paid by a single payment. Send one copy of the payment voucher to the agency with the payment.

120306. Cash Awards to Military Members

A. Military personnel may receive cash awards for suggestions, inventions, and scientific achievements as authorized by Military Service regulations.

B. Upon approval of an award, the Executive Secretary of the Suggestion Awards Committee prepares, certifies, and submits an SF 1034 (plus a copy of the Suggestion Award Certificate) to the entitlement office.

C. The payment is made against current funds available from the activity to which the member was assigned at the time the suggestion, invention, or achievement was submitted. Federal and state income tax withholding is required on all cash awards. The SF 1034 must provide Home of Record (HoR) of the military member for state tax reporting. The only exception to the requirement for withholding taxes on cash awards is when payment is made to an enlisted member serving in a combat zone. See Combat Zone Tax Exclusions discussed in ***Publication #3 Armed Forces Tax Guide***.

120307. Civilian Uniform Allowances

Payment of civilian uniform allowances will be made on public vouchers prepared and certified by the proper authority. When more than one employee is paid in cash on the same voucher, the signature of each payee acknowledging payment will be obtained on the original voucher. The payment will be charged to the same appropriation and subsidiary accounting data normally charged for the salary of the personnel concerned. ***PL 110-181, section 1113*** (Uniform Allowances for Civilian Employees) amends ***10 USC 1593*** for the amount payable as prescribed by the Secretary of Defense. Effective June 23, 2008, ***5 CFR 591.104*** states that an agency my establish one or more initial maximum uniform allowance rates greater than the Government-wide maximum uniform allowance rate established under ***5 CFR 591.103***.

120308. Confinement of Female Prisoners in Civil Detention

When DoD confinement facilities are not available, or do not provide for the separation of male and female prisoners, regulations provide procedures for transferring female prisoners to civil detention facilities. The Security Office transfers female prisoners and provides the entitlement office with a certified voucher and supporting documents for payment of the confinement expenses. The disbursing office remits payment to the civil confinement facility and coordinates on all matters of pay and allowances due the prisoner while in confinement. The funds to be charged for the confinement are determined by the expenses itemized on the invoice.

120309. Copies of Official Records or Documents

Fees required by local laws may be paid to proper officials for certified or photocopies of public records or documents required by a court or board. Current Operations and Maintenance (O&M) funds may be used to purchase death certificates for deceased retired personnel only if there are no beneficiaries or none can be located.

120310. Demurrage on Cylinders

Vouchers covering demurrage charges on gas cylinders or drums retained beyond the contract free period may be prepared on a quantity basis. This means based on a number of cylinders, without regard to any particular cylinder, where contracts so provide. In such cases, explain the method of calculating demurrage, cite the voucher covering the preceding demurrage payment and other identifying data such as the cylinder number, date cylinder was delivered, date rental starts, date cylinder was returned, and the actual number of days and rate per day on which the charges were computed. Charge the funds of the activity that caused the delay. Identify also the voucher upon which payment was made for the filled containers.

120311. Discrimination Complaints

A. General. Costs incurred in processing discrimination complaints may include travel expenses, attorney fees, investigation expenses, costs of administrative judges, and court reporters ***(5 CFR 1201.201)*** and ***(5 CFR 1201.202)***.

B. Attorney Fees. In cases involving complaints of discrimination, attorney fees may be awarded pursuant to either a no-fault settlement agreement, an informal adjustment, a decision of the service director of Equal Employment Office (EEO), the Equal Employment Opportunity Commission (EEOC), the Merit Systems Protection Board, an arbitrator, a Federal court, or other appropriate authority. After review and approval of the award letter by the legal counsel, prepare an SF 1034, made jointly payable to the complainant and complainant's representative and supported by the award letter and approval. Requests to make actual payments are initiated by the EEO manager of the legal office. Cite local operating funds current when the employee or employee's representative is notified of the amount payable on the claim for attorney fees and cost. Allowable and reasonable attorney fees are discussed in ***29 CFR 1614***.

C. Investigation Expenses. Most complaints are investigated by an investigator assigned to the appellate review agency. The EEO manager arranges for the investigator's visit and submits a claim citing operating funds current at the time services are requested. If local funds are used for miscellaneous purchases, then the chief EEO counselor will initiate a purchase request using current operating funds. An SF 1034 or a DD Form 1155, approved by the chief EEO manager, will be used to make payment.

D. EEO Administrative Law Judge. An EEO Administrative Law Judge is an official assigned by the EEOC to hold hearings on formal complaints of discrimination and otherwise process individual and class complaints for the EEOC. Expenses associated with these complaints are funded by the activity where the alleged discrimination took place using operating funds current at the time the services are requested (41 USC 612). The EEOC will bill the activity for any authorized and required expenses. The chief EEO manager reviews and approves the EEOC billing before payment by the disbursing office.

E. Court Reporter. The chief office of counsel arranges for the services of a court reporter by submitting a request to the DoD Component contracting office. Costs for court reporter services are funded by the activity where the alleged discrimination took place using funds current at the time services are requested. The chief EEO manager reviews and approves the SF 1034 or DD Form 1155 for payment.

F. Interest. Interest payments (when permitted by statute) are to be charged to funds current when the award is made. The ***Internal Revenue Service (IRS)*** establishes the rate used. This interest rate is not the same as that is used for computing interest under PPA.

120312. Emergency Notification Service (9-1-1)

A. Emergency notification is a service allowing a telephone subscriber to dial one number, often 9-1-1, for any emergency. A central control desk takes the call and notifies the appropriate local government agencies. This service often is provided by a state or local government and is funded by charges collected from telephone subscribers. In many cases, this charge actually is a tax levied by the providing agency, and the telephone company merely acts as the billing and collection agent.

B. If 9-1-1 fees are imposed by a telephone company for its own service and duly permitted by the tariff to which all utility customers are subject, then the charge is proper and payable by the government. If, however, a state or local government actually is imposing the charge and merely using the telephone company as its agent, then the charge amounts to a tax from which the Department is exempt.

C. Federal agencies do not have the authority to waive immunity from such fees. If a military installation was invoiced for a 9-1-1 charge imposed by a state or local government, then the tax is not subject to payment. If fees were improperly paid, then collection guidance for improper payments is discussed in Chapter 18.

D. If it is unclear whether such charges are taxes or service charges, then the responsible official should contact the base communications officer or higher authority.

E. Telephone service to on-base residents is a matter of private contract between the resident and the local telephone company. If residents are charged for 9-1-1 service, then they may not claim exemption on the basis of immunity. If a resident of the base housing lives in an area where all fire, police, and other emergency services are provided by the base, then the charge may be for services the resident does not receive, and a challenge on that basis may be possible. Regardless of the basis a resident of base housing uses to challenge a 9-1-1 charge, it remains a private matter between the subscriber and the telephone company.

120313. General Services Administration (GSA) Payments, Where DoD Liability Exists for Damages to GSA Motor Pool Vehicles

A. Except for normal wear and tear, the Department is pecuniarily liable for loss of or damages to GSA motor pool vehicles caused by negligence, misconduct, abuse, or inattention of military or DoD civilian personnel.

B. This liability is not confined to cases of negligence or willful misconduct assessed against individuals. Use an ***SF 1080*** (Voucher for Transfers Between Appropriations and/or Funds) for payment to GSA. Funds currently available should be cited on the voucher. The damaged vehicle involved must be identified on the SF 1080 and the information must include the vehicle registry number, date of damage, register number of an ***SF Form 91 (Motor Vehicle Accident Report)*** and a ***SF Form 94 (Statement of Witness)*** when applicable. Do not delay payment to the GSA pending report of surveyed damages.

C. Send one copy of the voucher, without supporting papers, with the payment to GSA. Support the original voucher and other copies of vouchers (when applicable) with a certified true copy of the Report of Survey, for DoD property where applicable, and a cost of repairs statement prepared by GSA.

120314. Handling Charges

Contractors may include a handling charge, service charge, or minimum billing charge on orders below a certain value. If these charges are included in the contract, then they will be paid.

120315. Hospital Accreditation

If required, payment for any part or all of the initial or reaccreditation surveys ***(Joint Commission on Healthcare Organizations)*** may be made in advance.

120316. Lost or Damaged Clothing Payments to Military Personnel

Military personnel entitled to reimbursement for lost or damaged clothing submit an approved service specific Personal Clothing Claim form. The service member's activity billing office will prepare an SF 1034 for payment to the member.

120317. Medical Services Provided by Civilian Non-Federal Sources

A. Members. The military medical treatment facility (MTF) can refer members to civilian health care providers for diagnostic services and/or treatment. Claims from civilian non-Federal sources for such care will be paid on an SF 1034. The form will be prepared and certified for payment within 30 days from the later of receipt of an invoice in the specified office or the date of acceptance of the care as attested by the approving authority and supported by itemized invoices. The same standards apply to approved claims for services rendered in connection with care of a deceased member.

B. Dependents and Retired Personnel. Dependents and retired personnel are authorized certain medical care and diagnostic services as established by ***10 USC 1071-1085***. When an MTF is managing the care of dependent and retired personnel and must refer those personnel to civilian facilities for care that is beyond the MTF's capability, payment for that supplemental care is authorized. Payment will be made on an SF 1034. The funds charged will be the operating funds of the MTF that made the referral.

120318. Municipal Services

Under ***10 USC 2465***, absent specific legislative authorization, DoD may not make payments for any service required to be provided by the local government when such service is financed from revenues raised by state or local taxation from which the Federal Government is exempt. Common examples are police and fire protection. The Department may pay on the same basis as private users for services based on the quantity of direct services received, e.g., water and sewage. The general rule is that the Department will not pay for municipal services unless private citizens and businesses also pay a charge for the same services. See ***48 CFR 237.102-70*** for specific application of municipal services under 10 USC 2465.

120319. Patents, Copyrights, and Designs

Appropriated funds available for acquiring material may be used to acquire the following when it benefits the Department ***(10 USC 2386)***:

A. Copyrights, patents, and applications for patents.

B. Licenses under copyrights, patents, and applications for patents.

C. Design, processes, and manufacturing data.

D. Releases, before suit is brought, for past infringement of patents (10 USC 2386 and ***FAR 28.105-2***).

120320. Pollution Control Permits or Fees

In the absence of express Presidential exemption, DoD facilities must abide by state or local laws for abatement and control of pollution. This includes obtaining permits and paying

the associated fees. Use an SF 1034 to pay claims based on the certification or approval of the base civil engineer.

120321. Reciprocal Mutual Aid Agreements for Fire Protection

A. Claims for reciprocal mutual aid agreements for fire protection as required by ***44 CFR 151***, are to be submitted to the Administrator, U.S. Fire Administration, Federal Emergency Management Agency (FEMA), Washington DC 20472, by non-DoD firefighting organizations. If approved, then such claims are paid by the Treasury Department, subject to reimbursement by the DoD installation under whose jurisdiction the fire occurred.

B. If the claims affect current funding for fire protection, then FEMA will contact the installation as a part of its claim processing and adjudication procedures. Provide information requested, in coordination with the civil engineer, fire protection unit, and staff judge advocate. Provide complete name and address of the disbursing office, including the Disbursing Station Symbol Number (DSSN), and an appropriation fund cite for fire protection funding so that the Treasury Department can bill for reimbursement for approved claims paid.

C. Obligate available fire protection funds for the estimated amount of claims, either when notified or when contacted by FEMA under its claim processing procedures. If the Treasury Department pays such claims on behalf of DoD activities, then record an obligation and accrued expenditure for the amount reimbursed to the Treasury Department.

120322. Representation and Contingencies Fund Use

A. General. The instructions in this paragraph apply to disbursements made against funds separately appropriated in the contingencies program. These include representation, special expenses, and contingencies. For each fiscal year, the Congress appropriates funds in the contingencies program under the statutory authority in ***10 USC 127a*** for use by the Head of each DoD Component. Funding documents provide authority to obligate and expend contingency funds as approved or as adjusted later during the fiscal year.

B. Representation Funds. Unless otherwise specifically authorized by the Head of a DoD Component, representation funds are expended by commanders only for official entertainment or other official purposes authorized by ***10 USC 127*** and ***DoD Directive 7250.13***. All expenditures of contingency funds for official representation specifically must be approved before the event by the applicable commander or designee. Such approvals will be in writing and indicate the purpose, number of guests, and estimated cost. Payments are made on an SF 1034 and certified by an authorized certifying official. As an alternative, the commander or designee may submit a properly certified statement with supporting documentation to the entitlement office for preparation and certification of the payment voucher.

C. Emergency and Extraordinary Expenses (10 USC 127). The language in the Appropriation Act for contingencies usually reads: "For emergencies and extraordinary expenses, to be expended on the approval of the Secretary of the cognizant Military Service, and

payments may be made on their certificate of necessity for confidential military purposes." Use the following procedures for the type of payment indicated:

1. Miscellaneous Current Expense. Payments against miscellaneous current expense funds generally are made on an SF 1034.

2. Intelligence Contingency Funds (ICF). Payments generally are for confidential military purposes and normally are made on a ***DD Form 281*** (Voucher for Emergency or Extraordinary Expense Expenditures). All other claims are processed on other appropriate voucher forms. The original of all vouchers such as DD Form 281, SF 1034, and SF 1080, except for collection and correction vouchers, are returned to the originator. Designated ICF managers retain the original voucher and supporting documents.

3. Investigation Expenses. Expenses for other than confidential military purposes are recorded on an SF 1034. The vouchers are prepared using the applicable form. The originating office retains a copy of the voucher and supporting documents submitted to entitlement office. Classified investigation expenses for confidential military purposes are recorded on a DD Form 281.

120323. Rewards for Recovery of Lost DoD Property

Under ***10 USC 2252*** certain rewards are authorized and paid as follows:

A. Commanders may offer rewards for recovery of lost property.

B. Reward payment may be made to persons or organizations for the return of lost property, or information leading to its recovery.

1. Conditions for Payment of Reward:

a. The persons or organizations must know that a reward is being offered or that it is general practice to offer rewards for the return of particular DoD property or information leading to its recovery.

b. The claimant is not a member of the U.S. Armed Forces or an officer, employee, or agency of the U.S. Government.

c. Payment is not inconsistent with local laws, prevailing customs or practices, treaties, or international agreements.

2. Rewards are paid from the current funds available for the activity concerned. Support the voucher with a copy of the offer of reward, a statement by the commanding officer or designated representative that the conditions for payment of reward have been met, and a release from further claim signed by the claimant.

120324. Special Drinking Water

Special drinking water may be purchased in accordance with ***DoD Directive 6230.1*** (Safe Drinking Water) with appropriated funds only when it is necessary from the government's standpoint, such as when:

A. The public water is unsafe for human consumption.

B. There is an emergency failure of the water source on the installation.

C. There is a temporary facility with no drinking water available within a reasonable distance.

D. There is no water fit for drinking purposes available without cost or at a lower cost to the government.

120325. Support of Armed Forces Personnel in Confinement

Purchase of health and comfort items for personnel confined on base is authorized not to exceed $40 monthly per prisoner. Corrections officers should purchase these items for issue through the use of an SF 1034. Do not make cash payment to individual prisoners. Purchases of necessary uniform clothing items are authorized and processed in accordance with the regulation of the service of the prisoner, whether one is in a pay or non-pay status. Administrative costs for the prisoner's deposit fund, such as the purchase of checks and bank service charges, will be paid in accordance with the regulation of the Military Service of the prisoner.

120326. Telephone and Television Service

A. Statutory Provisions

1. Appropriated funds normally should not be used to pay for telephone service to private residences as provided by law (***31 USC 1348***, and ***10 USC 1588 (4f)(2))***. Long distance calls from private residences for official business may be paid from appropriated funds when supported by properly certified vouchers.

2. Official telephone bills for a period beginning in one fiscal year and ending in another fiscal year are paid from the appropriation current at the end of the period covered by the service (***31 USC 1308***). This rule also applies to leased wire and teletypewriter services.

3. Funds collected from the sale of telephone services are credited as an appropriation reimbursement to the appropriation that bore the cost of such services ***(10 USC 2686)***.

4. Service clubs, motion picture service, Base Exchange activities, and officers' and noncommissioned officers' messes within the United States are subject to federal communications taxes (***26 USC 4251***).

B. Increased Rates. A contract may provide for payment of telephone charges at legally established rates. Under such contracts, rate increases approved by rate setting authorities may be paid. Increased rates, pending approval by rate setting authorities, may be paid but will be subject to adjustment if the increase is not approved.

C. Payment Procedures. The office designated to receive the telephone bills, from the telephone company, prepares and certifies the SF 1034 for payment by signing as the "Authorized Certifying Officer" in the space provided. The SF 1034 then is forwarded together with the telephone company's bill. Detailed listings and schedules supporting the telephone company's bill are retained by the responsible office and are not attached to the payment voucher.

D. Long Distance Calls. A certificate is required on each telephone bill or on the supporting statements of toll service with respect to the official long distance calls billed thereon as follows: "Pursuant to 31 USC 1348, I certify that the use of the telephone for official long distance calls listed herein was necessary in the interest of the government." The certificate is not required for charges covering telephone calls within a metropolitan exchange or which are billed as message units, or for intra-government reimbursement for telephone calls over government owned or government leased facilities. The certificate will be signed by proper authority and the capacity in which the person signs will be indicated clearly, such as "John Brown, Communication Officer".

E. Teletypewriter Service. Teletypewriter service is provided by telephone companies. The charges, based on time used, are billed in the same manner as long distance calls.

F. Unofficial Telephone Calls and Service

1. The officer responsible for telephone service to each activity is responsible for billing and collecting for unofficial service.

2. An administrative fee may be charged to the individual placing an unauthorized and/or unofficial call.

3. The purchaser will pay all charges for unofficial use of telephone service provided from a DoD switchboard. Charges for extensions, special or miscellaneous equipment and installation costs thereof, and toll call and telephone charges when incurred will be added to the basic monthly rate. Taxes will be assessed as applicable. Purchasers will not be assessed an additional charge for unlisted telephone number service in the installation directory. Listing of telephone numbers in the DoD installation directory is considered a locator service rather than a telephone service. Personnel have the option of having their personal phone numbers listed or unlisted in the directory and may not be charged an additional fee in either

case. Installers will bill purchasers all flat rate charges on the first regular monthly bill following incurrence of the service. When a purchaser has received service for only a fraction of the billing period, the monthly charge will be prorated. Tables of fractional charges and credits may be used to determine the amount of the prorated charge.

G. Collections. Collections for unofficial telephone service, including flat rate monthly service charges, toll charges, private telegrams made by telephone, applicable taxes, and charges for extensions, installations, special or miscellaneous equipment, and for occasional unofficial use of official telephones will be deposited with the disbursing office of the activity at which it was collected. Collections received will be credited to the appropriations and allotments available for supplying such service. Reimbursement for DoD provided unofficial telephone services in the United States will be credited to the currently available appropriations in proportion to the annual amount of operating expenses incurred and charged to appropriations that financed the services.

H. Defense Working Capital Fund (DWCF). DWCF activities in overseas locations that provide unofficial telephone service will retain reimbursements to the extent that expenses were incurred to provide those services. Any excess of reimbursements over associated expenses will be credited to miscellaneous receipts of the Treasury Department. When credit is to an appropriation or fund other than DWCF, the disbursing office will forward a copy of the collection voucher to the Accounting Officer of the appropriate activity. When security deposits to guarantee payment of obligations, as distinguished from advance payment for services, are made in accordance with local orders, such deposits will be credited to Deposit Funds and Suspense Accounts.

I. Federal Taxes. Federal taxes applicable to the unofficial telephone service will be collected from the member by the applicable disbursing office using a ***DD Form 1131*** (Cash Collection Voucher). The form will show a charge to the same accounting data as indicated for the telephone bill and will bear a full explanation for the expenditure, including identification of the activity where the taxes were collected. All public vouchers for the month will be paid to the Treasury Department by Intra-governmental Payment and Collection (IPAC) System. Monthly payment and quarterly returns will be made in accordance with instructions furnished by the District Director of IRS for the district in which the disbursing office is located. A copy of the public voucher will not be furnished to the payee (Volume 5, Chapter 11).

J. Refunds. Refunds collected for unofficial telephone service will be deposited with a disbursing office supported by a DD Form 1131 chargeable to the appropriation originally credited.

K. Satellite Communications Service. The costs of ship to shore communication service will be collected from personnel using the service by the communication officer of the ship on a NAVCOMPT Form 2054-(3C). The communications officer will immediately turn over the amounts collected to the disbursing office that will take up the collection as a credit to Suspense Accounts. When the telephone company bills the ship for the service, payment will be made to the telephone company by the disbursing office using an SF 1034 to substantiate the payment.

L. Reimbursement for Telephone Wiring Maintenance. Charges paid by the tenant for telephone wiring maintenance necessary in base housing may be reimbursed under 31 U.S.C. 1348. Charges for internal wiring repair in family housing will be reimbursed from maintenance funds and charges for unaccompanied personnel housing from current base funds.

M. Telephone and Television Reconnection Charges

1. Payment of appropriated funds is authorized for reconnection expenses where a move is the result of government action over which the member has no control and the move is directed at government expense. Exclude expenses incurred during permanent change of station.

a. Payment is authorized for the following as directed by the base commander:

(1) Mandatory assignment to government-owned housing facilities,

(2) Involuntary relocation to government or non-government facilities because of base renovation or condemnation proceedings, or

(3) The termination of assigned quarters because of death of qualifying dependents.

b. The reimbursement to members is not authorized for moves involving:

(1) Voluntary termination of assigned quarters,

(2) The termination of assigned quarters due to demotion to ineligible grade or adverse conduct by member,

(3) The termination of assigned quarters due to family separation (no hardship involved), or

(4) Member's voluntary movement from off-base to on-base quarters.

2. Reimbursement of the member’s claim or a direct payment to the contractor will be charged against the appropriation covered by the service.

a. Reimbursement to Member. A Service member may pay for reconnection charges when billed and then file a claim for reimbursement. The member submits the invoice, letter, or special order directing the move, and a letter request to the billeting officer for bachelor quarters or to the base civil engineer for military family housing for approval and certification.

b. Direct Payment Method. A Service member may submit the same documentation through the billeting officer or base civil engineer to the entitlement office for a direct payment to the contractor. These payments are not subject to the PPA. The payment voucher should contain the statement, "payment is being made for the following individual(s) for reconnection services on the following dates."

3. Support the reimbursement or direct payment to the contractor with:

a. The special order or letter directing the move.

b. The letter from the member requesting reimbursement for reconnection charges already paid or direct payment to the contractor for charges not yet paid. The member must certify that the amount invoiced includes only those charges incurred in restoring telephone or television services previously provided at old location and does not include charges for any new services or equipment.

c. A copy of the telephone or television company invoice certified by the chief of services or base civil engineer showing only applicable reconnection charges. All other charges should be lined off and paid separately by the member.

120327. Tuition

A. Military Personnel. Tuition aid for military personnel will be paid in accordance with the approved contract or ***Standard Form 182 (Authorization, Agreement and Certification of Training)***.

B. Civilian Employee Training. The SF 182 is the authorized form to request, authorize, fund, certify, reimburse, and evaluate DoD civilian training. The training may be provided either from government or non-governmental sources. It must be a regularly scheduled, off-the-shelf course, training conference, or instructional service that is available to the general public and priced the same for everyone in the same category, i.e., price per student, course, program, service, or training space.

1. The total price of training authorized by the use of a single SF 182 may not exceed $25,000.

2. The training officer (or the employee development officer) may authorize training for employees nominated to attend training in a government or nongovernmental facility. Refer to Component level instructions on completion of the SF 182 for further uses or limitations on the form. See ***DoD 1400.25-M***, Civilian Personnel Manual, Chapter 410 for more details.

3. Prohibitions against the payment of tuition or other expenses for training include overtime, holiday, and night differential pay or membership fees as outlined in ***5 USC 4109*** and ***5 USC 5946***.

4. Requirements on support of travel and transportation requirements involving attendance at training are contained in the ***Joint Travel Regulations (JTR), Volume 2***.

5. Educational service agreements may be entered into with established colleges, universities, or other educational institutions. Agreements may include all normal tuition and fees in established schedules applicable to all students attending the institution (excluding off duty educational programs for individual employees). Each request requires a contract that should be initiated via use of the SF 182.

6. Employees nominated to attend training in a government or non-governmental facility will be issued an SF 182 that is signed by an official with approving authority.

7. When the training has been procured by means of contract or educational services agreement, payment will be made in accordance with the provisions therein. If there is no contract or agreement, then payment will be made based on billings (invoices) received and approved by the sponsoring activity supported by a copy of the SF 182.

C. Advance Payment. Advance payment of tuition and other expenses is authorized (5 USC 4109) and *(**31 USC 3324**)* either when the training facility renders or refuses to render a billing. The SF 182 will identify the training facility by name and address, the amount payable to the facility for the advance of tuition, as well as the amount payable to the trainee for purchase of books, library, and laboratory services. The SF 182 must be submitted to the entitlement office to support payment of the advance.

D. Liquidation of Advance. Within 5 workdays after completion of the training, the trainee will prepare SF 182 itemizing the training expenses, attaching receipts when obtainable, and submit the original agency finance copy of SF 182 which was endorsed with the advance payment information. The disbursing office will liquidate the advance payment in the same manner as prescribed for travel advances.

120328. Tuition Refunds

A. Sponsors of tuition paying students attending DoD operated schools overseas (eligible under ***DoDEA Administrative Instruction 7200.1***) may receive a prorated refund of tuition when they terminate enrollment prior to the end of the grading period. Refunds of advance tuition payment are authorized only on the basis of a full grading period. A grading period is considered to be any one of the four periods established by the school and covered by student report cards.

B. The school administrator prepares, certifies, and submits an SF 1034 to the entitlement office for payment. The SF 1034 must include the name of the student, date enrollment was terminated, and the amount authorized for refund.

C. The entitlement office will pay the voucher after reviewing it for propriety and ensuring that related funds are available in deposit fund accounts.

1204 PROFESSIONAL LIABILITY INSURANCE (PLI)

120401. Civilian Employees

Certain civilian employees (law enforcement officer, supervisor, or management official) may be reimbursed for PLI up to one-half of the insurance premium cost, not to exceed $150 annually ***(5 USC 59)***. The employee must submit the insurance policy and proof of payment to their servicing Human Resource Office/Civilian Personnel Office (HRO/CPO).

120402. Conditions for Payments of PLI

The employee also must submit a completed SF 1164, certified by the HRO/CPO approving official and an invoice from the insurance carrier. The insurance carrier invoice must include the issuing company's name, the policy number, and proof of payment. If it is not evident to the paying office that the carrier's invoice or the policy itself is a qualified professional liability policy, then the invoice will be returned to the employee, requesting that they provide evidence that the sole purpose of the policy presented for reimbursement is to provide liability insurance. The reimbursement is not treated as taxable income and not subject to W-2 reporting.

1205 GOVERNMENT CHARGE CARDS-CENTRALLY BILLED ACCOUNTS

120501. Government Charge Cards Centrally Billed Accounts

This section provides policy for charge card bills (hereafter referred to as "invoices" for the purposes of this guidance). Government charge card accounts are established in accordance with the GSA's government-wide SmartPay Contract and applicable DoD tailored task orders.

120502. Policy

A. ***OMB Circular A-123 Appendix B***, Charge Card Management, provides the policy for Federal Government charge card programs.

B. The ***DoD Government Charge Card Guidebook*** is a consolidated guide that provides policies, unique business rules and procedures for DoD charge card programs.

C. Government centrally billed travel card policies and procedures are in Volume 9, Chapter 3. Payment provisions are available in applicable DoD Component regulations and Standard Operating Procedures.

D. Government Purchase Card (GPC) Program financial management policies are detailed in Chapter 23.

E. Government Fuel Card (GFC) Programs. Defense Energy Support Center (DESC), the Executive Agent for bulk petroleum products, provides DoD with comprehensive energy solutions and administers GFC programs, including DoD Fleet Card, the Aviation Into-plane Reimbursement (AIR) and Ships' Bunkers' Easy Acquisition (SEA) Card processing contracts. DESC provides policy regarding roles, responsibilities and accountability of the DESC-sponsored GFC Program (***DoD 4140.25-M***, Volume II, Chapter 16).

1. Fleet Card Program. Policy and procedures are in DoD 4140.25-M, Bulk Petroleum Management and DLA Policy Memo # DESC-P-8. Additional information concerning the ***Fleet Card Program*** is on the DESC website. Unique business rules for the Fleet Card program are found in Appendix H of the Government Charge Card Guidebook.

2. AIR Card Program. Policy, procedures, and other pertinent documents concerning the ***AIR Card Program*** are on the DESC website. Unique business rules for the AIR Card Program are found in Appendix G of the Government Charge Card Guidebook.

3. SEA Card Program. Policy, procedures, and other pertinent documents concerning the ***SEA Card Program*** are on the DESC website.

120503. Charge Card Bills

Charge card contractors will furnish a monthly invoice or statement of account, showing charges made during the billing cycle. The invoice must contain the elements specified in Chapter 8. The date of receipt of the invoice in the Designated Billing Office starts the PPA clock.

120504. Roles and Responsibilities

Officials must work together to ensure accuracy, propriety and legality over charge card payments. Volume 5, Chapter 33 provides roles and responsibilities of Departmental Accountable Officials (DAOs) for charge card programs. The certifying official ensures that only certified payment packages are forwarded for payment.

120505. Documentation

Charge card DAOs must ensure maintenance of documentation, at all levels, to support the integrity of the government charge card programs and facilitate the reconciliation and payment of charge card transactions. DAOs will establish clear audit trails for charge card transactions by maintaining documentation to support each purchase such as travel orders/authorizations; requisitions; including cross references to any related Blanket Purchase Agreements; telephone and mail order logs; receipt records; and credit slips. When certified invoice packages are forwarded to the entitlement office for payment, retention of supporting documentation is the responsibility of the certifying official.

120506. Disputed Transactions

Government charge card cardholders must dispute questionable transactions with the issuing bank within 90 days from the date that the transaction was processed. DAOs must notify the entitlement office by annotating the invoice and/or invoice package to show reductions for disputed charges and must maintain records to track disputed transactions to full resolution.

120507. Designated Entitlement Office

Designated Entitlement Office (DEO) officials rely on the Certifying Officer to ensure the validity, legality, and accuracy of certified invoice packages. The DEO must ensure that certified invoice payment packages undergo prevalidation to ensure the availability of funding. They will also ensure that a DD Form 577 (Appointment/Termination Record - Authorized Signature) is on file and verified for all manually certified payment packages.

120508. Records Retention

DAOs in the Billing Offices submitting GPC Billing Statements will ensure that proper audit trails exist, that documentation is available to support all charges and charge card payments, and that documentation is retained for the statutory period prescribed in Volume 5, Chapter 21.

120509. Disbursement Voucher

Charge card purchases are paid using a certified disbursement voucher, complete with the line(s) of accounting (LOAs) for charging the payment.

1206 PAYMENTS UNDER REAL PROPERTY LEASES

120601. General

Leases are subject to the statutory and regulatory provisions applicable to DoD contracts, as well as the specific statutory provisions pertinent to leases. A lease is a contract by which the use of land or buildings is conveyed for a specified time at a specified rate of compensation. Leases describe the premises, the specific period involved, purpose for which used, the amount of rent, method of payment, special services included (such as heat, light, water, and janitorial services) and any restoration provisions. If the lessor fails to provide the services called for in the lease, then the lessee (DoD) may pay the cost and deduct the amount from the lease rental payments.

120602. Rent

A. Fractional Parts of a Month. Payment for part of a month for leased premises is made on the actual number of days involved. In computing the time between two dates, the general rule is to exclude the first and include the last date, except when the lease is for a specified term and begins on the date of occupancy.

B. Monthly Installment Payments of Annual Rent. A lease generally begins on the first of a month. For leases that begin on a date other than the first, the monthly rent installments become due and payable on the date of each month numerically corresponding to the date the term began, less one day. The amount of each installment should be one-twelfth of the annual rate, regardless of the number of days in any calendar month.

C. Recurring Rental Charges. Payment for these charges is made without requiring individual invoices from the vendor. At the end of each rental period, the using activity will confirm the use or availability of the property during the rental period. Identify lease and period covered on the payment voucher and process per provisions of the lease.

D. Reporting Rental Payments Made to Civilian Landlords. At the end of each calendar year, report yearly rental payments of $600 or more to IRS (see Chapter 6). Report the total payment on ***Form 1099-MISC***, Statement for Recipients of Miscellaneous Income. Do not report payments to real estate agents.

120603. Party Entitled to Rental Payment

A. If DoD occupies land under a lease, then the rental payment cannot be avoided because of any defect in the title of the lessor at the time the lease was made.

B. If DoD occupies land owned by several tenants-in-common under an agreement with one of them and without objection by the others, then such tenant-in-common is entitled to receive the rent.

C. If property leased to DoD is sold on one day and the deed of conveyance is executed on another day, then the grantee is entitled to receive the rental from the property only from and after the date of execution of the deed.

D. Liability for rent due does not become payable day-by-day. It becomes due in total on the dates set forth in the lease. The payment may not be currently prorated for several owners who may have owned the premises for a portion of the rental period. When leased property is sold, a copy of the deed of sale is furnished for association with the lease contract. If proper notification is provided to the lessee, then payment is made to the titleholder on the due date.

120604. Payment for Leased Land

Payment for leased land may not be made in advance. Leases in foreign countries are paid as local customs dictate.

120605. Payment for Cost of Improvement of Rented Premises

The laying of conduits and wires in leased premises occupied by DoD Components is an improvement of the premises. Unless the lease provides for the making of such improvements by DoD, payment of the cost is not authorized.

120606. Payment of Taxes on Property

Although taxes are not payable by DoD as the owner of real property, such taxes are properly payable as part of the rent when specifically included in the terms of the lease.

120607. Payment of Rent in Connection with Termination of Lease

Payment is based on the terms of the lease. Leases containing the standard U.S. Army Corps of Engineers termination clause require payment for the day after the notice of termination is mailed plus 29 days. Leases with other termination provisions must be analyzed on an individual basis.

120608. Capital and Operational Lease

A capital lease is essentially equivalent to an installment purchase of property. Capital leases transfer substantially all the benefits and risks of ownership from the lessor to the lessee. Operational leases do not meet the criteria for a capital lease.

1207 PAYMENTS UNDER INDIVIDUAL SET-ASIDE CONTRACTS (ISAs)

Federal tax and Federal Insurance Contributions Act (FICA) apply to medical health service providers serving under ISAs. Payments made under ISAs will be reported on a Form W-2, Wage and Tax Statement. However, disbursing offices will not withhold for state and local taxes on ISA contract payments. (TRICARE Management Activity, legal opinion dated August 2004).

1208 PAYMENTS OF FEES FOR GUEST SPEAKERS, LECTURERS, AND PANELISTS

Payment for expenses associated with honoraria (guest speaker fees) is allowable for individuals who are not government personnel. Honoraria are ex gratia payments and are made to a speaker who has discretion concerning the content of a speech, presentation, or panel discussion on a general topic. In contrast, honoraria limitations do not restrict payment for presentation of materials under a training contract involving a program of instruction. To avoid excessive payment of honoraria, the Deputy Secretary of Defense has established a policy that honoraria amounts greater than $2000 must be approved by the next higher organizational echelon. Such approvals shall be in accordance with the Component's established procedures.

VOLUME 10, CHAPTER 13: "COMMERCIAL TRANSPORTATION PAYMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated June 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	In order to improve the organization of the chapter, renumbered, reformatted, and combined some sections for better clarity. Also in several cases added regulatory references and refreshed electronic links.	Revision
130402	Added statute reference for 31 United States Code (USC) 3726 defining in more detail the requirement for payment offices to perform prepayment audits.	Addition
130402.B	Emphasized all documents supporting electronic transportation billings must be forwarded to General Services Administration (GSA), which maintains a central repository of all such billings.	Addition
130402.C	Emphasized the Standard Form 1113, Public Voucher, provided by the transportation service provider (TSP) for all hardcopy billings must be reviewed for completeness during prepayment audits.	Addition
130406	Clarified liability guidance for Certifying Officers when overpayments of transportation billings occur when a GSA prepayment audit waiver exists.	Addition
130407	Highlighted the Director of the GSA Audit Division has the authority and responsibility to audit and settle all transportation related accounts.	Addition
130407.B	Clarified that all collections resulting from GSA collection efforts are retained by GSA.	Addition
130407.C	Emphasized payment offices must report all voluntary refunds of transportation overpayments to GSA.	Addition
130407.D	Emphasized payment offices must forward all involuntary refunds to GSA.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
130606.A & B	Expanded the Property Loss/Damage section to include the risk that resides with carriers and how deductions are applied.	Addition
130701.A.1	Expanded the obligation definition for Non-Temporary Storage (NTS) to include severable and non-severable criteria, and linked the storage of privately-owned vehicles to these obligation criteria.	Addition
130701.A.2	Revised the method by which NTS invoices are paid. The Third Party Payment System (TPPS) is used to accomplish NTS payments.	Revision
130902.C.	Revised the claims appeal authority for TSP from the GSA to the Civilian Board of Contract Appeals.	Revision
130902.D	Added requirement where appeals of GSA Audit Division decisions to the Civilian Board of Contract Appeals must be made within 6 months (excluding time of war) of the date of the decision.	Addition
131001	Added that both NTS and household goods are now payable under TPPS processes. Also specified payment terms will be in accordance with the TPPS contract.	Addition
131002	Replaced previous Office of Management and Budget reference with a Volume 10, Chapter 1 reference more specific to internal controls.	Revision

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CHAPTER 13

COMMERCIAL TRANSPORTATION PAYMENTS

1301 GENERAL

This chapter establishes policies and responsibilities within the Department of Defense (DoD) for the financial management of various types of transportation payments. It outlines the policies and responsibilities for payment of transportation documents, including bills of lading (BOL) and third-party transportation payment invoices. It also includes requirements for prepayment and post-payment audits, reviews, claims and related General Services Administration (GSA) procedures. The policies in this chapter also apply when the Transportation Working Capital Fund (TWCF) pays the commercial transportation service provider.

1302 POLICY

130201. Laws and Regulations

The following laws and regulations comprise the current requirements for the efficient and effective use of government and commercial transportation resources. This policy includes the roles, responsibilities, and authority in applying these requirements, to include policy pertaining to payment of transportation and transportation related services for DoD:

A. ***Title 10 United States Code (U.S.C.), Chapter 157***, and ***Title 31 U.S.C. §3726*** provide information concerning the laws surrounding the transportation of both personnel and supplies and the general conditions under which a carrier may submit claims for payment. 31 U.S.C. §3726 also establishes the role of GSA in settling claims, identifies when claims must be filed with GSA, and requirements for conducting and funding prepayment and post-payment audits.

B. Title 31 U.S.C. §3726(d) states that not later than 3 years (excluding time of war) after the time a bill is paid, the Government may deduct from an amount subsequently due a carrier or freight forwarder an amount paid on the bill that was greater than the rate allowed.

C. ***DoD Directive 5158.04, United States Transportation Command*** (USTRANSCOM) and ***DoD Directive 4500.09E, Transportation and Traffic Management*** govern the worldwide movement of passengers, cargo and personal property for DoD.

D. ***Defense Transportation Regulation (DTR) 4500.9-R*** provides policy to DoD Components for efficient and effective use of government and commercial transportation resources.

E. ***Federal Acquisition Regulation (FAR), Part 47 "Transportation"*** prescribes policies for applying transportation and traffic management considerations in the

acquisition of supplies; and acquiring transportation or transportation related services by contract methods.

F. ***Defense Federal Acquisition Regulation Supplement (DFARS), Part 247*** contains additional transportation guidance as a supplement to the above FAR provisions.

G. ***Title 41 Code of Federal Regulations (CFR) §102-118***, "Transportation Payment and Audit", codifies statutes and other policies that assure transportation services are uniform and appropriate. It also defines authority for GSA to conduct prepayment and post-payment audits, and establishes agency prepayment audit requirements.

H. The following laws and regulations provide guidance for payment of Nontemporary Storage (NTS) and local drayage of Household Goods (HHG):

1. ***Title 5 U.S.C. §5726***;

2. ***Title 41 CFR §302-8***;

3. ***Joint Federal Travel Regulations (JFTR), Volume 1, Chapter 5***; and

4. ***Joint Travel Regulations (JTR), Volume 2, Chapter 5***.

130202. Valid Line of Accounting

Every transportation shipment, when initiated, must have a valid line of accounting (LOA) to include the Standard Document Number (SDN), or in their place, an associated transportation account code (TAC) representing a valid LOA, prior to processing shipment requests, automation of obligation recording, and invoice certification and payment.

A. Transportation services will not be provided by the Transportation Officer (TO) or the Traffic Management Officer (TMO) without first obtaining proper supporting documentation. At a minimum, this documentation must include an authorization to use, and a citation of, a valid and funded LOA, provided by a designated Funds Manager (FM) or financial management official.

B. If funding data supporting the shipment request fails validation when processed, the TO/TMO will suspend further processing efforts until the shipping customer provides written (electronic or hardcopy) verification indicating the LOA is valid.

130203. Funded LOA and Associated TAC

Shipping customers requesting transportation services will provide the TO/TMO with the FM's written or electronic verification of a funded LOA (funding document), and the associated TAC, before entering the government into a contract with a carrier. The FM verification may be annotated on the Movement Request Order (MRO), usually a Department of Defense

(DD) Form 1348-1A, Issue Release/Receipt Document or ***DD Form 1149***, Requisition and Invoice/Shipping Document.

130204. Antideficiency Act

Any transportation shipment request processed without an authorized, valid, and funded LOA, resulting in an obligation on behalf of the Federal Government, could result in a violation of the Antideficiency Act (ADA) under ***31 U.S.C. §1341***. See Volume 14, Chapters 1 and 2 for additional information concerning appropriations and violations of the ADA.

130205. Internal Controls

Internal controls need to be in place to ensure that duplicative or erroneous payments do not occur. These controls will ensure that sufficient management control mechanisms are available so that DoD funds are spent appropriately and in accordance with all applicable laws and regulations. Refer to Volume 10, Chapter 1 for additional policy specific to internal controls.

1303 RESPONSIBILITIES

130301. United States Transportation Command (USTRANSCOM)

Per DoD Directive 5158.04, the Secretary of Defense has designated ***USTRANSCOM*** as the single manager within the DoD for transportation, other than Service-unique or theater-assigned assets. USTRANSCOM operates three subordinate commands: ***Surface Deployment and Distribution Command (SDDC)***, ***Military Sealift Command (MSC)***, and ***Air Mobility Command (AMC).***

A. SDDC has been designated as the single manager within the DoD for providing ocean terminal, commercial ocean liner service and traffic management services to deploy, sustain and redeploy U.S. forces on a global basis. The command is responsible for surface transportation and is the interface between DoD shippers and the commercial carrier industry. This includes movement of DoD member HHG and privately-owned vehicle (POV).

B. MSC has been designated as the single manager within DoD for ocean transportation. MSC provides sealift transportation to deploy, sustain, and redeploy U.S. forces around the globe. The MSC will monitor and manage all sealift service and will maintain data concerning such service.

C. AMC has been designated as the single manager within DoD for airlift service. AMC provides strategic and tactical airlift, air refueling, and aero medical evacuation services for deploying, sustaining, and redeploying U.S. forces wherever needed. AMC contracts with commercial air carriers through the Civil Reserve Air Fleet (CRAF) and other programs for movement of DoD passengers and cargo. AMC will maintain data concerning such service.

130302. Defense Finance and Accounting Service (DFAS)

DFAS maintains the software/database support for the Transportation Global Edit Table (TGET) of established transportation shipment LOAs and associated TACs for all Military Services and Defense Agencies.

A. TGET is a centralized repository that contains established transportation LOAs formatted in accordance with Service/Agency LOA requirements and associated TACs.

B. Each Component is responsible for updating the TGET and ensuring it contains validated LOAs and TACs.

130303. Shipping Customers

Shipping customers can be individuals (service member or civilian employee), units, or organizations within the Military Services, Defense Agencies and other government (non-DoD) agencies (federal, state or local) requesting shipment of freight or personal property. The shipping customer will obtain and present to the TO/TMO, in written or electronic form, a valid and funded LOA from a designated FM.

130304. Transportation Officer (TO) and Traffic Management Officer (TMO)

TO and TMO are individuals who are designated to process approved shipment requests for transportation or storage of military goods and other items entitled to be transported or stored at government expense and related accessorial or special services. The TO/TMO responsibilities include:

A. Preparing and editing shipment documentation to ensure quality electronic data and timely submission to support total movement shipment processes;

B. Reviewing shipment requests presented by the shipping customer to ensure that the approved funding and shipping documents fully support each shipment request;

C. Ensuring that any shipment request that is found to be incomplete or is not fully supported by the proper funding authorization will be suspended and not be accepted for shipment; and

D. Resuming the shipment request process when written or electronic verification of a corrected LOA, or other required shipping and supporting documents are received.

130305. Fund Manager (FM)

FMs are individuals legally responsible for managing the appropriate use of funds and will assist and provide advice to the TO/TMO on all financial related matters. The FM will:

A. Maintain and issue authorizations to use LOAs, based on requests, to ensure their appropriate use and the availability of sufficient funding;

B. Coordinate and administer changes and modifications to LOAs and ensure updated data is uploaded to the TGET when necessary;

C. Provide a properly formatted LOA and associated TAC for input into the shipper system when utilizing electronic processing and third-party billing;

D. Coordinate with the appropriate finance and accounting office to resolve edit exceptions encountered in the obligation and accrual recording and invoice payment processes;

E. Work with the TO/TMO and/or certifying official to correct fund citation edit exceptions;

F. Provide the shipping customer with documentation supporting funds availability and record the commitment/obligation appropriately. Documentation must include a valid, appropriate, and funded LOA, as well as the point of contact information of the FM (e.g., name, phone number and e-mail address);

G. Monitor execution of transportation costs and make adjustments as needed; and

H. Coordinate with the Contracting Officer and/or TO/TMO in addressing any issues associated with transactions that have not yet been certified for payment.

130306. Certifying Officer (CO)

COs within the responsible transportation offices are individuals designated in writing by the activity commander and will perform their duties in accordance with Volume 5, Chapter 33. All COs will be appointed using a DD 577, Appointment/Termination Record – Authorized Signature. Pursuant to ***31 U.S.C. §3528***, COs are responsible for:

A. Ensuring the accuracy of facts stated on a certified voucher to include the supporting documents and records;

B. Ensuring accurate computation of certified vouchers under 31 U.S.C. §3528 and ***31 U.S.C. §3325***;

C. Ensuring the legality of a proposed payment under the appropriation or fund involved;

D. Ensuring that when a manual, electronic, or digital signature is affixed to a voucher, the CO certifies to a disbursing officer that the items listed therein are correct and

proper for payment from the appropriation(s) or other funds designated thereon or on supporting vouchers, and that the proposed payment is proper, correct, and not prohibited by law;

E. Certifying a ***Standard Form (SF) 1113*** (Public Voucher for Transportation Charges) for the correct amount and fund cites when processing documents such as requests for payments, invoices, and other transportation documents. Forward the certified SF 1113 with the attached supporting documents to the proper entitlement office for recording into the accounts payable system and disbursement of payment to the provider; and

F. Performing additional duties and responsibilities for COs in regards to the review, reconciliation, and certification of the DoD Third Party Payment System (TPPS) monthly summary invoices as discussed in paragraph 131003.

130307. Payment Office

Each payment office will:

A. Provide finance and accounting support to designated shipping customers, FMs, TOs/TMOs, and COs;

B. Ensure that a validated electronic record of the transportation obligation is posted in the accounting system prior to disbursing funds;

C. Record accruals, if appropriate, and then disburse payment upon receipt of the certified request for payment or electronic data feeds;

D. Ensure that commitment, obligation, accrual, and expense transactions are reconciled and processed into the appropriate accounting systems;

E. Send electronic funds transfer (EFT) disbursement to the vendor or third-party payer with an accompanying remittance advice; and

F. Collect any overpayments, as required.

130308. General Services Administration (GSA)

GSA is the executive agent for the Federal Government and is responsible for oversight of prepayment and post-payment audits and associated collection actions. GSA also handles payment claims and disputes that cannot be resolved between the Transportation Service Provider (TSP) and the entitlement office. See sections 1304 and 1309 for additional policy concerning transportation audits, reviews, and TSP claims.

130309. Transportation Service Provider (TSP)

The TSP is the commercial provider of transportation services for either freight or HHG.

A. The TSP certifies that the shipment has been delivered in good condition and submits certified invoices for payments of services rendered.

B. The certified invoice is sent to the activity designated in the shipping request.

130310. Contracting Officer

A Contracting Officer is a United States military officer or civilian employee who has been properly appointed on a SF 1402.

A. A Contracting Officer has the authority to enter into, administer, and/or terminate contracts and make related determinations and findings. See definition of Contracting Officer in ***FAR Subpart 2.1***.

B. Within the context of this chapter (for transportation charges falling outside of TPPS processes) the Contracting Officer:

1. Prepares solicitations and contracts for transportation and/or transportation related services;

2. Specifies authorization of prepaid freight in contracts;

3. Ensures that the requirements of the ***DTR 4500.9-R Part II*** are included in appropriate contracts for all applicable shipments and enforces these requirements with regard to shipments under their control; and

4. Includes in the solicitation and contract all applicable services, provisions, clauses and instructions concerning first destination transportation charges and identifies a separate LOA for prepaid freight.

1304 PAYMENT, AUDITS, AND COLLECTIONS

130401. Request for Payment

The entitlement office will process a request for payment in accordance with the applicable commercial rates, fares, or charges for transportation by any common carrier of any property for the United States, or on its behalf, as approved by the TO/TMO or designee and certified by the CO. Transportation payments will be made by the paying office designated in the contract.

*130402. Prepayment Audit

Title 31 U.S.C. §3726 establishes that each agency that receives a bill from a carrier or freight forwarder for transporting an individual or property for the United States Government shall verify its correctness (to include transportation rates, freight classifications, or proper

combinations thereof) using a prepayment audit, prior to payment and in accordance with this title and regulations prescribed by the General Services Administration (GSA) pursuant to this title. Meal tickets and meal checks are not subject to audit since they do not represent bills from a TSP. Implementing instructions are in ***41 CFR §102-118*** which provides responses to the most frequently asked questions concerning transportation payments and audit.

A. GSA has complete oversight of the prepayment audit process; however, it can further delegate that authority to the DoD Components if the delegation is determined to be cost-effective or otherwise in the public's best interest. See 31 U.S.C. §3726(g).

* B. The GSA Audit Division keeps a central repository of electronic transportation billing records for legal and audit purposes. Therefore, DoD must forward all relevant electronic transportation billing documents to GSA; this is accomplished by the TPPS contractor which provides all shipping and payment data available in support of DoD transportation payments (41 CFR §102-118.80).

* C. The entitlement office must ensure during its prepayment audit of a hardcopy (non-TPPS) TSP bill that the TSP filled out the ***SF 1113***, Public Voucher for Transportation Charges completely, including the taxpayer identification number (TIN), and standard carrier alpha code (SCAC). An SF 1113 must accompany all hardcopy (non-TPPS) billings (41 CFR §102-118.100).

D. In accordance with 41 CFR §102-118.290 and ***31 U.S.C. §3521(b)***, statistical sampling is permitted on TSP bills under $2,500.

E. In accordance with 31 U.S.C. §3726(a)(3), expenses for prepayment audits shall be funded by DoD appropriations used for the transportation services.

130403. Prompt Payment Act (PPA)

Transportation payments are subject to the PPA. PPA regulations require that agencies pay transportation bills within a certain time period and pay interest penalties when payments are late.

A. Unless specified differently in the contract, transportation charges should be paid within 30 days after the original completed BOL reaches the designated billing office and the carrier certification is completed at the bottom of the document.

B. If an invoice or accompanying documentation is determined to be incomplete or incorrect, the agency must provide the TSP with written notice of an apparent error, defect, or impropriety within 7 days of receipt of the bill. See ***FAR 32.905*** for additional information.

C. Refer to Volume 10, Chapter 7 for additional PPA policy.

130404. Certified Invoice

Transportation invoices must be certified by the carrier that the shipment has been delivered in good order and condition. Invoices will not be paid in advance per 41 CFR §102-118.200.

130405. General Services Administration Post-Payment Audit

A carrier's BOL and the supporting documents, which represent payments made by agency entitlement offices for freight and passenger transportation services, must be forwarded to GSA for a post-payment audit (41 CFR §102-118.415 and 41 CFR §102-118.425).

A. GSA reviews the carrier's transportation rates, freight classification, and other information for correctness during this audit and has a number of applicable actions it can take based on post-payment review outcomes (41 CFR §102-118.440).

B. Expenses of post-payment audit contract administration and audit related functions are financed from overpayments collected from the TSP's bills previously paid by DoD and similar type refunds (41 CFR §102-118.445).

*130406. Overpayments

If the agency conducts prepayment audits of its transportation bills, agency transportation certifying and disbursing officers are liable for any overpayments made. If GSA has granted a waiver to the prepayment audit requirement and the agency performs a post-payment audit, ***(31 U.S.C. §3528*** and ***31 U.S.C. §3322***) neither the certifying nor disbursing officers are liable based upon the reasons listed in these two cited statutes (41 CFR §102-118.160).

A. If an overpayment results from the use of improper transportation rates, classifications, or from the failure to deduct the proper amount, the disbursing official or COs will normally not be held liable for overpayments.

B. Relief of liability may normally be granted when the certification was based on official records and the CO did not know, and by reasonable diligence and inquiry could not have discovered, the correct information or the obligation was incurred in good faith, and diligent collection actions were undertaken in accordance with established procedures. Refer to Volume 5, Chapter 6.

*130407. Collection / Offset of Overcharges

The Director of the GSA Audit Division has the authority and responsibility to audit and settle all transportation related accounts (31 U.S.C. §3726). When instructed to do so by GSA, the entitlement office will offset, as appropriate, any overcharge amounts due the United States from an unpaid carrier's bill.

A. The entitlement office will inform GSA if they do not have, and are not

likely to have, a subsequent voucher to collect an overcharge.

* B. GSA then handles it as a U.S. claim against the payee (41 CFR §102-118.640). If GSA collects the overcharged amount, the collection is retained by GSA.

* C. The entitlement office must report all voluntary refunds to the GSA Audit Division (so that no Notice of Overcharge or financial offset occurs), unless other arrangements are made (41 CFR §102-118.500(a)).

* D. Once a Notice of Overcharge is issued by the GSA Audit Division, then any refund is no longer considered voluntary and the entitlement office must forward the refund to the GSA Audit Division (41 CFR §102-118.500(b)).

1305 TRANSPORTATION PAYMENT DOCUMENTATION

130501. Prescribed Forms

DoD may receive payment requests for transportation and related services in various forms, such as paper or electronic BOLs, or Periodic Billing Statements (PBSs). Transportation offices will use commercial payment practices and electronic processing to the maximum extent possible in accordance with DoD policy set forth in the DTR.

130502. Commercial Bills of Lading

The ***"commercial" BOL*** (the industry-wide form used by transportation carriers) is the preferred document used for the transportation of property per 48 CFR §53.247. This document will be used for the receipt of goods, as documentary evidence of title, and as documentary evidence of delivery. The use of the commercial BOL is the initial step in satisfying GSA's and Department of Defense ongoing initiatives to maximize electronic processing of transportation documents. In its electronic form (i.e., without the issuance of a hard copy government bill of lading (GBL), the commercial BOL is referred to as a "virtual" GBL (VGBL).

1306 TRANSPORTATION DELIVERY TERMS

130601. Delivery Terms

Delivery terms are listed in the contract indicating the point at which title and risk of loss of merchandise pass from the seller to the buyer. They define the obligations and the responsibilities of the buyer and seller during the delivery of goods. See ***FAR Subpart 47.3*** for additional details.

A. Free on Board (FOB) Origin. If the shipping contract states FOB origin, the ownership of the cargo is passed on to the buyer when the goods are placed on the conveyance by which they are to be transported. Unless the contract states otherwise, the cost of shipping and risk of loss are borne by the buyer (government), per FAR 47.303-1.

B. FOB Destination. If the shipping contract states FOB destination, the supplier owns the goods until they arrive at their destination. Unless the contract states otherwise, the cost of shipping and the risk of loss are borne by the seller (contractor). Pursuant to FAR 47.303-6, transportation costs that are included in contracts for material delivered FOB destination should not be paid.

C. Most Advantageous Delivery Point. If the shipping contract includes both FOB origin and FOB destination delivery terms, the entitlement office will process each payment in accordance with the assigned contract terms for the goods being shipped. Refer to FAR 47.304-1(b) when the contracting officer includes both options to obtain the most advantageous delivery point.

130602. Prepaid Freight

Contractor prepaid freight is any type of transportation amount authorized to the point specified in the contract which is to be prepaid at FOB origin by the contractor and later submitted for reimbursement on the contractor's invoice, per FAR 47.303-4.

A. When providing goods, the TSP can be authorized reimbursement for prepaid freight within their contracts.

B. Contractors will support the prepaid transportation freight charges with a copy of the carrier's receipted freight bill or evidence of receipt from the carrier. Evidence of payment is a receipted freight bill or BOL stamped or marked "To Be Prepaid" showing the charges receipted for by the carrier. If this is not present, then the BOL must bear a notation of the contractor's check number, the date paid, and proof of shipment;

1. If a receipted freight bill is not available, then the contractor can provide other support for the claim for reimbursement of freight charges. The contractor should furnish a copy of the transportation company's pickup record or a copy of the contractor's internal business document showing the contractor turned the material over to a particular shipper. The contractor then must support either of these documents with a copy of the transportation company's invoice and a statement that the charges have been paid.

2. For cost reimbursement contracts, the contractor must send freight bills to the contracting officer for a pre-payment audit, per FAR 47.103-2.

3. Per FAR 47.303-17(d)(1), the government may determine that receipted freight bills or other evidence of receipt are not required for transportation charges of $100 or less if the following conditions are met:

a. The underlying contract specifies retention by the contractor of all records for at least 3 years after final payment under the contract; and

b. The contractor agrees to furnish evidence of payment when requested by the government.

c. Per FAR 47.303-17(e), shipments and invoices will not be split to reduce transportation charges to $100 or less per transaction as a means of avoiding the required documented support for the charges.

4. Per FAR 47.303-17(d)(2), a Government agency may pay an invoiced but unsupported transportation charge of $250 or less per transaction if the following conditions exist:

a. The contractor cannot reasonably provide a receipted bill; and

b. The agency has determined that the charges are reasonable. Determination of reasonableness may be based on the following: past experience (authenticated transportation charges for similar shipments); rate checks; copies of previous bills submitted by the contractor; or other information submitted by the contractor to substantiate the amount claimed.

C. When deliveries are made at points other than the designated FOB point, an adjustment in the contract price by the contracting officer will be made that corresponds to the resulting increase or decrease in the amount of freight charges.

D. The payment office will not make an adjustment on the amount of the freight charges if deliveries are made to places other than the FOB point.

E. The payment office will not make an adjustment to freight charges when a contractor contends that it paid transportation expenses, which the government was obligated to pay.

F. The payment office cannot deduct for potential excessive freight charges paid by the government. Such adjustments must be submitted to the respective legal counsel for referral to the GSA for direct settlement as claims.

130603. Reimbursable Prepaid Freight

Reimbursement to a contractor for prepaid freight covers the cost of transporting the material being shipped from the designated FOB origin point to the designated destination(s).

A. The contractor may be authorized by the contracting officer to pay transportation costs subject to the terms and conditions of the BOL on behalf of the government. The contractor pays for shipping on a commercial BOL, other commercial form, or through the postal system.

1. If a contractor is directed by a contracting officer to ship FOB origin via parcel post, then postal charges are reimbursable.

2. The contractor should list this expense as a separate item on the invoice.

3. Charges are included in accounting records as a part of the cost of material.

B. The contractor will bill the DoD Component for the cost of the transportation. This billing is shown as a line item on the contractor's invoice and is supported by a receipt, per FAR 47.303-17(d).

C. Contractor prepaid freight is not authorized within overseas areas. A contractor, however, may be reimbursed for prepaid freight within the United States to a stateside port of embarkation for further shipping by government means to the overseas area.

D. Contractor prepaid freight costs are obligated as a cost of the contract.

E. If it is advantageous to the Government, the contracting officer may authorize the contractor to ship supplies, which have been acquired FOB origin, to domestic destinations, including DoD air and water terminals by common carriers on commercial bills of lading. Such shipments must not exceed 150 pounds by commercial air or 1,000 pounds by other commercial carriers and must not have a security classification, per FAR 47.303-17(a).

F. GSA does not audit fixed price contractor prepaid freight charges.

G. Contractors directed to prepay freight may maintain charge accounts with companies specializing in delivery of small parcels.

130604. Excessive Freight Charges

Excessive freight charges are freight costs incurred by a contractor that exceed costs from the FOB point specified in the contract and they are not reimbursable costs. The contracting officer will need to make a determination whether to pay excess freight charges, and provide that determination to the entitlement office before any approved adjustments to payments can be made by the entitlement office.

A. If a contractor prepays freight for a shipment contrary to the current contract terms, payment of shipment charges may be made to the contractor after receipt of contract modification authorizing the prepaid shipment. The payment may not exceed the cost that would have been incurred by the government. The prepaid freight receipt will be attached to the contractor's request for payment.

B. Any premium freight (e.g., overnight delivery, first class mail, or airfreight) to be paid by the government must be authorized by the contracting officer, per FAR 47.304-1(c)(4).

C. Where the original contract was FOB origin and the TO/TMO changes the destination point, the government may be held liable for all additional freight cost.

D. If the contractor changes the location from where the item is being shipped from, thereby increasing the freight costs, then the contractor is liable for any increased freight costs.

E. Shipment of perishable or medical supplies that are subject to in-transit deterioration is an example of a situation when solicitations will normally be on an FOB destination only basis because it is advantageous to the Government per ***FAR 47.304-1(g)(4)***.

130605. Funding Determination Guidelines

When government property is shipped from one point to another, the following guidelines will be applied to determine the appropriation or fund to be charged for transportation:

A. Transportation charges are applied to the fiscal year and the appropriation in which they accrue as stated in the contract.

B. The transportation (movement) of cargo can have multiple segments (e.g., base to shipping port, then receiving port to base). Each segment may have a different fund citation, depending on the type of shipment.

C. Transportation charges for material shipped from one U.S. Government installation to another are not considered part of the contract expense in buying the material.

D. Transportation charges incurred for transporting exchange or commissary supplies are charged to the applicable exchange fund or to the Defense Commissary Agency (DeCA).

E. If freight is damaged in shipment, regardless of which entity is responsible for the damaged goods, transportation funds will not to be used to pay for the replacement or repairs of damaged goods.

1. For FOB origin shipments, destination sites will furnish procurement officials with any available information to support the shipper's claim for damage(s).

2. If freight is damaged in shipment, then follow the requirements of the ***DTR Part II Cargo Movement, Chapter 209*** for reporting damages.

*130606. Property Loss or Damage

The Government generally retains the risk of loss and/or damage to its property that is not the legal liability of the commercial carriers. In addition, it generally does not buy insurance coverage for its property in the possession of commercial carriers per ***FAR 47.102***. However, in

cases where loss or damage risk does reside with the carrier based on contractual agreement, deductions can be made from amounts due the carrier using the following guidance, per ***10 U.S.C. §2636 (a)(1) and (2)***:

A. If deducted because of loss of, or damage to, material in transit for a military department, the amount must be credited to the proper appropriation, account, or fund from which the same or similar material may be replaced.

B. If deducted as an administrative offset for an overpayment previously made to the carrier under any DoD contract for transportation services, or as liquidated damages due under any such contract, the amount must be credited to the appropriation or account from which payments for the transportation services were made.

130607. Non-DoD Funding

Non-DoD agencies that wish to use DoD transportation services must provide funds with the appropriate LOAs to the sponsoring DoD Component. Non-DoD funding is required before services can be provided. The sponsoring Component may set up a reimbursable account where the third-party billing system can continue to pay the TSP and the sponsoring Component can establish a Service/DoD LOA/TAC for the paying office to process. See Volumes 11A and 11B for additional reimbursable policy.

1307 NON-TEMPORARY STORAGE AND LOCAL DRAYAGE OF HOUSEHOLD GOODS

*130701. Definitions and Guidelines

An authorized DoD official will determine if local drayage and storage of HHG is authorized when it provides the best value to the Government. The TO/TMO responsibilities include obtaining these transportation services to meet operational needs.

A. Non-Temporary Storage (NTS). NTS of HHG is all storage other than temporary (e.g., storage in transit) or special storage (e.g., access controlled environment). NTS includes any shipment, move, packing/unpacking, and crating/uncrating necessary to transport the HHG to and from the designated storage facility.

* 1. NTS authority is normally included in the permanent change of station (PCS) travel authorization/order and should be obligated against the appropriation current at the time of the contract award or against the appropriation current at the time the service is rendered per Volume 3, Chapter 8 (paragraph 0810). Follow these same obligational criteria for storage of a POV. Where the contracting officer acquires these storage services (NTS or POV) as non-severable services, obligations are applied to the appropriation current at the time of the contract award. Where storage services are designated as severable, obligations are applied against the appropriation current at the time the services are rendered unless under authority of ***10 U.S.C. §2410a***, the activity awarded a contract that crosses fiscal years with a period of performance that does not exceed 1 year. Refer to Volume 11A, Chapter 18 (paragraph 180302.B & C) for an

additional discussion of distinctions between severable and non-severable services in the context of a contracting activity procuring services on behalf of customer organizations.

* 2. All Invoices for NTS storage services are processed electronically through a TPPS using the policy provided in paragraph 1310 of this chapter.

B. Local Drayage. Local Drayage includes hauling HHG to a designated storage facility.

1. The TO/TMO responsibilities include the following actions with regards to processing invoices pertaining to local drayage of HHG:

a. Receiving and verifying invoices with supporting documents from the ordering officer.

b. Documenting the service for local drayage has been performed and determining the entitlement pertaining to beginning and ending periods of storage and excess weight.

c. Certifying the invoiced services have been performed.

d. Verifying with the Family Housing Management Office or Billeting Office regarding entitlement to local drayage incident to assignment of government quarters.

e. Preparing, approving, and certifying the SF 1034 and forwarding it to the proper entitlement office with documents to support these entitlements for recording into the accounts payable system and for disbursement of the payment to the provider.

2. When moving HHG to or from storage locally (drayage), the TO/TMO will:

a. Provide to the entitlement office a copy of the invoice containing a certificate of performance signed by both the contractor and ordering officer, a copy of the ***DD Form 1164***, Service Order for Personal Property, a copy of the ***DD Form 1299***, Application for Shipment and/or Storage of Personal Property, and a copy of any special orders or other authority.

b. Provide to the ordering office a copy of the paid removal from storage voucher.

3. The payment office responsibilities include the following actions with regards to processing invoices pertaining to local drayage of HHG:

a. Certifying funds availability on the basis of a purchase order request and with the coordination of the FM, record obligations based on receipt of a ***DD Form***

1155 Order for Supplies or Services.

b. Obtaining evidence of receipt of services before paying a contractor's invoice. This may be accomplished by a TO/TMO statement on the invoice that states the date the services ordered were received, with the TO/TMO official's printed name, signature, and contact information placed on that invoice.

c. Obtaining a copy of the obligating document and the contractor's invoice to support the payment voucher.

130702. Military members

A. As stated in JFTR, par. U5380, the total HHG weight transported plus the weight of HHG in NTS at government expense on the same PCS order should not exceed the weight allowance in JFTR, par. U5310B. If the weight allowance of the HHG in NTS plus the weight of the HHG transported on the same order exceeds the weight allowance, the member is financially responsible for the excess cost. The Government may pay the total transportation cost and other charges applicable to any excess weight that exceeds the HHG weight allowance and collect reimbursement for the excess cost from the Service member.

B. As stated in JFTR, par. U5380, NTS is authorized incident to occupancy of Government/Government controlled quarters or privatized housing, and vacating local private sector housing for moves directed on the basis of a Service requirement. There are no weight restrictions incident to this NTS. Necessary packing, crating, unpacking, and uncrating is authorized.

C. The housing office issues assignment and reassignment orders for movement of member's personal property placed in NTS incident to occupancy of government or government-controlled quarters.

130703. Civilian employees

A. As stated in ***5 U.S.C. §5726 (b)***, the maximum combined weight for HHG transported and/or stored for civilian employees is 18,000 pounds. The Government may pay the total transportation cost and other charges applicable to any excess weight that exceeds the HHG weight allowance and collect reimbursement for the excess cost from the civilian employee.

B. As stated in JTR, par. C5195, civilian expenses for NTS are authorized for PCS travel or new appointee travel to a designated isolated Continental United States (CONUS) permanent duty station (PDS). A signed service agreement for 12 months is required for each individual CONUS PCS. The period of NTS under these conditions may not exceed 3 years, per 5 U.S.C. §5726(c).

C. As stated in JTR, par. C5195, a traveler's HHG are placed in NTS when there is no authority to transport some items, or the HHG cannot be used at the Outside of the Continental United States (OCONUS) PDS. The traveler may request authority from the employer

for HHG withdrawal from NTS and transportation at Government expense when the situation requiring NTS no longer exists and the HHG are needed for the current tour of duty or when a removal agreement is signed. The period of NTS, at Government expense, may be authorized for a period NTE the tour of duty.

1308 MISCELLANEOUS TRANSPORTATION PAYMENTS

130801. Drive-away and Tow-away Service

DoD vehicles may be moved by drive-away or tow-away carrier service. Authorized en route expenses may be incurred for which the carrier is not liable. Drive-away service is the movement of a vehicle under its own power by a driver of an authorized motor carrier. Tow-away service is when any motor vehicle or combination of motor vehicles are coupled together, when one or more sets of wheels of any such motor vehicle being towed are on the road. This method also includes the movement of one or more vehicles, including other than self-propelled vehicles, when towed or mounted (either full or saddle mount) upon a vehicle. See DTR Part II ***Cargo Routing and Movement, Chapter 202***, for additional information concerning drive-away service.

130802. Meal Checks

Meal checks are used by DoD recruits, including the Department of Homeland Security (DHS) Coast Guard recruits, while in transit from the Military Entrance Processing Stations (MEPS) under the command of the United States Military Entrance Processing Command (MEPCOM) to the Service training centers. Meal checks will be issued only by an appointed MEPS Transportation Assistant (TA) or designated alternate to DoD recruits traveling under provisions of the JFTR.

A. During the transportation briefing, the MEPS TA will inform the recruit on the authorized use of the meal check, the procedures for completing the meal check, their responsibility to use the check for authorized meals, the locations that will accept meal checks, and their responsibility for safeguarding their meal check.

B. The MEPS will use the MEPCOM's automated MEPCOM Integrated Resource System (MIRS) to issue computer-generated meal checks.

1. The MEPS MIRS will print the allowable amount on the meal check depending on the type of meal authorized. The rates per meal for members are in ***JFTR par. U2030***.

2. The MEPS TA will inform the recruit that he/she cannot write meal checks for amounts that exceed the applicable amount authorized in the JFTR. Meals may be acquired at a lower cost. The recruit will be responsible for any costs that exceed the authorized amount published in the JFTR, par. U2030.

3. Meal checks are valid at all airport restaurants owned, operated, or contracted by Host Marriott Services Corporation and most other food vendors.

4. The vendors will not give the recruits any change if the cost is less than the amount stated on the meal check.

C. Meal checks shall not be used:

1. To buy alcoholic beverages;

2. When travel is by commercial aircraft and passage rates include meal service;

3. When an advance allowance of per diem has been received;

4. When any portion of travel is OCONUS; or

5. For payment of a gratuity.

D. A contracted private sector bank will pay the restaurants electronically within 48 hours through the normal banking process. After the bank pays the restaurants, the paying office will reimburse the bank by electronic funds transfer.

E. See ***DTR Part I Passenger Movement, Appendix M*** for additional information concerning meal checks.

130803. Meal Tickets

Meal tickets may be issued to all authorized users under the JFTR provisions with the exception of recruits assigned to MEPS. Meal tickets may be issued only as specifically authorized in the DTR for members traveling together with no/limited reimbursement directed in the authorization/order on a commercial airline flight on which courtesy meals are not served and prior arrangements have been made for the airline to serve meals in exchange for meal tickets. See DTR Part I Passenger Movement, Appendix M for details concerning meal tickets.

A. Meal tickets shall not be used:

1. To buy alcoholic beverages.

2. When travel is by commercial aircraft and passage rates include meal service.

3. When an advance allowance of per diem is received.

4. For travel of civilian employees.

5. For travel of military dependents, except when a dependent is authorized per diem for the purpose of escorting a deceased military sponsor.

6. For payment of a gratuity.

B. Reimbursement of contractors accepting meal tickets will be accomplished in the following manner:

1. The contractor submits the original meal ticket(s), DD 652, attached to an invoice.

2. Payment will be made based on a SF 1034. Payment cannot exceed the number of meals nor the price set forth on each meal ticket. Each meal check is shown on the SF 1034.

3. Before payment is made, verify the meal ticket has a properly completed contractor's certification and ensure that it agrees with the certification made by the Service member who received the meal or the Service member in charge of the party.

4. Anyone who alters a meal ticket after it has been issued must initial and date the alteration and include their printed name and contact number.

5. Charge the appropriation and allotment cited on the meal ticket with the payment amount.

6. These payments are due 30 days after they reach the designated billing office. Interest is due on late payments, as these transactions are subject to PPA.

1309 CLAIMS BY TRANSPORTATION SERVICE PROVIDERS (TSPs)

130901. Filing Claims

A TSP may file a claim for the following reasons (41 CFR §102-118.450):

A. Amounts considered to be owed to the TSP but were not included in the original billing;

B. Amounts that were deducted or offset by the entitlement office that are disputed by the TSP;

C. Amounts that were previously refunded by the TSP in error; or

D. Amounts unpaid on original bills resulting from a dispute by the entitlements office when the billings are of a questionable nature (e.g., when bankruptcy or fraud may be involved).

*130902. Claims Resolution /Appeals

If a claim is sent by a TSP to an entitlement office, then they should make every effort to resolve the dispute directly with the TSP.

A. If resolution is not possible by the original entitlement office, then the claim should be forwarded to the ***GSA Transportation Audit Division***.

B. Claims forwarded to the GSA Transportation Audit Division for resolution must arrive at GSA within 3 years (excluding time of war) after the later of the following dates (31 U.S.C. §3726 and 41 CFR §102-118):

1. The date of receipt of the invoice by the entitlement office when the demand for payment is refused by the entitlement office.

2. The date of payment.

3. The date of deduction on subsequent amounts paid (if the entitlement office offsets subsequent bills submitted by the TSP).

* C. If the TSP does not agree with the decision of the GSA Transportation Audit Division, then the TSP may appeal to the ***Civilian Board of Contract Appeals*** or file a claim with the United States Court of Federal Claims**.**

* D. Appeals of GSA Transportation Audit Division decisions to the Civilian Board of Contract Appeals must be made within 6 months (excluding time of war) of the date of the decision or within the periods of limitation specified in 31 U.S.C. §3726, as amended, whichever is later. Refer to 41 CFR §102-118.580.

130903. Certificate of Settlement

When the claim has been adjudicated by GSA and it is determined the TSP is owed money, GSA will issue a "Certificate of Settlement" indicating the amount to be paid.

A. Once a decision is made, interest may accrue beginning 30 days from the date of settlement.

B. Similarly, if a TSP appeals the decision of an agency to the GSA Audit Division or to the Civilian Board of Contract Appeals, then interest penalties do not accrue until 30 days after a decision is rendered.

C. When a dispute arises between the agency and a TSP over an amount billed by the TSP (either in whole or part), the amount in dispute is not subject to interest penalties during the period of resolution, per 41 CFR §102-118.465.

1310 DoD THIRD PARTY PAYMENT SYSTEM (TPPS)

*131001. Background

The DoD uses a TPPS for transportation payment processing of CONUS freight, HHG shipments, and NTS services. The TPPS collects shipment and financial data from both shippers and carriers. Transportation transactions are entered into the TPPS electronically, and carriers are reimbursed for their services by a bank. A monthly TPPS summary invoice is forwarded electronically by the bank to the designated billing office (DBO) for review and approval by an authorized certifying official. The paying office will compute and pay interest based on payment terms specified in the TPPS contract.

*131002. Internal Control and System Access

All DoD Component's utilizing the TPPS service must implement local internal controls to prevent, detect, and report unauthorized transactions as outlined in Volume 10, Chapter 1, Section 0102. All managers will ensure adequate separation of duties and limit system access to only those individuals necessary to accomplish their assigned tasks.

131003. Certification, Reconciliation, and Payment Processing

Refer to the ***DTR Part II Cargo Movement, Chapter 212*** for additional detailed information and procedures concerning payment documentation requirements, correcting invalid LOAs and TACs, and the monthly summary invoice certification and payment process.

A. The CO is responsible for approving and certifying the monthly invoice for payment. As part of this review, they must identify any transactions that do not have a valid LOA or do not belong to their TPPS account. Certification criteria outlined in paragraph 130306 of this chapter, the DTR Part II Chapter 212, and Volume 5, Chapter 33 should be applied.

B. The CO, in conjunction with the payment office, must reconcile the account activity section of each TPPS monthly summary invoice in a timely manner to identify any carrying balance discrepancies, resolve any past due amounts, and review and verify that all fees and adjustments cited on each invoice are correct. The CO will communicate any reconciliation issues to the TPPS provider in a timely manner, as appropriate.

C. In addition to assisting the COs when necessary, the paying offices must ensure that the TPPS monthly invoice is paid in a timely manner. Any late payments will be assessed the proper late PPA interest penalty. All interest penalties paid will appear in the subsequent month's fees and adjustment section of the monthly summary invoice and should be reconciled with the total and interest payments previously made. Personnel from each payment center must have access to all related invoice payment information and communicate with each other regarding payment reconciliation issues. The CO will communicate any payment issues to the TPPS provider in a timely manner, as appropriate.

VOLUME 10, CHAPTER 16: "PAYMENT FOR POSTAL SERVICES AND SMALL PACKAGE DELIVERY COSTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated October 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
160202.A	Updated hyperlink to Department of Defense (DoD) Directive 5101.11E, "DoD Executive Agent for the Military Postal Service (MPS) and Official Mail Program (OMP)".	Update
160202.B	Updated hyperlink to General Services Administration (GSA) Bulletin G-02.	Updated
160606	Updated hyperlink to Postal Service (PS) Form 5639, "Express Mail Corporate Account Application and Payment Authorization Form".	Update

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CHAPTER 16

PAYMENT FOR POSTAL SERVICES AND SMALL PACKAGE DELIVERY COSTS

1601 OVERVIEW

160101. Purpose

This chapter provides Department of Defense (DoD) policy on processing payments to the United States Postal Service (USPS) for various types of postal services and small package delivery costs.

160102. Scope

This chapter applies to all DoD Components.

1602 AUTHORITY

160201. Statutory

A. ***Title 41, Code of Federal Regulations (CFR), Part 102-192, Mail Management*** prescribes policy for mail in Federal agencies.

B. ***Title 39 CFR Part 501.15*** provides policy on Computerized Meter Resetting System (CMRS).

*160202. Regulatory

A. The DoD provides policy on mail management in the ***DoD 4525.8-M "DoD Official Mail Manual"***, ***DoD Instruction 4525.08, "DoD Official Mail Management"***, and ***DoD Directive 5101.11E, DoD Executive Agent for the Military Postal Service (MPS) and Official Mail Program (OMP).***

* B. The ***General Services Administration (GSA) Financial Management Regulation Bulletin G-02*** provides guidance for Federal agencies on converting to commercial payment systems for postage.

1603 PAYMENTS

160301. Commercial Payment for Postage

Title 41 CFR 102-192 requires GSA to provide guidance and assistance on processing mail. Mail costs are identified at the program level and tracked by the program area. All payments to the USPS must be made using commercial payment processes.

160302. Installation Mail Managers

Each installation has an official mail manager who is responsible for planning and coordinating outgoing postal and delivery purchases. The mail manager works closely with facility personnel to minimize postage requirements and with managers to ensure that the person who makes the decision to mail any significant number of pieces of mail is the same person who controls the funds for postage.

160303. Methods of Payment

As stated in 41 CFR 102-192.35, GSA has established the following payment policy and methods:

A. Metered or permit mail must be made using Electronic Funds Transfer (EFT) transactions to commercial banks designated by the USPS as their financial agents. Payments for postage may not be held in postal vendor accounts unless the DoD Component has statutory authority to do so or it has received prior written approval from Treasury. Agencies may no longer use the Intergovernmental Payment and Collection Payment process associated with the Official Mail Accounting System, except where GSA has approved a temporary deviation for a specific agency, office, or Component prescribed by 41 CFR 102-192.65.

B. Stamps and other USPS services may be paid using cash, charge card, debit card, and money orders.

1604 ADVANCE DEPOSIT TRUST ACCOUNT

160401. Advance Deposit Trust Account (ADTA)

DoD Components can establish ADTAs with the USPS to enable the mail manager to charge postal services. Use of these accounts is a local decision. ADTAs are not available at overseas military post offices. There are different types of ADTAs depending on the type of postal service being purchased. ADTAs include customer meter advance deposits, business reply mail advance deposits, and permit imprint advance deposits. A payment into an ADTA is an advance payment to the post office. The mail manager monitors and reconciles the ADTA established to ensure receipt of services paid in advance. If the mail manager establishes one or more ADTAs, then the mail manager maintains a record of all transactions in each account, and is responsible for each ADTA balance.

160402. ADTA Payment Process

A. The mail manager requests funds to set up or replenish each ADTA. The mail manager presents a request for funds to the site support office. The site support office prepares a ***Standard Form (SF) 1034, "Public Voucher for Purchases and Services Other Than Personal"*** and forwards it to the entitlement office for payment.

B. The mail manager charges postal services against an ADTA as required. Each time there is a charge to an ADTA, the USPS issues a receipt. The mail manager verifies services received on the postal receipt and reduces the advance based on the amount shown on the receipts. Receipts must be identified to each ADTA.

C. One SF 1034 can establish or replenish more than one ADTA. The SF 1034 identifies the amount being deposited into each particular ADTA. Once the site support office makes deposits into an account, the mail manager has limited authority from USPS to transfer funds between ADTAs. This occurs only on an exception basis and with the coordination of the site support office. ***Optional Form (OF) 1017-G, "Journal Voucher"*** or equivalent is used for transfers between ADTAs.

D. The mail manager will reconcile the account monthly with USPS documentation. The site support office confirms the balance in each ADTA monthly with the mail manager. The mail manager must support any unexplained difference. Any unresolved discrepancy will be jointly reviewed by the mail manager and the site support office.

E. Advance payments for any ADTA are limited to requirements of the current quarter. The site support office and the mail manager review balances versus requirements on a monthly basis. Where required, the mail manager adjusts the balances by allowing the account to decrease with subsequent use or by the site support office depositing more funds.

F. There are cases where the USPS refunds cash for unused services in an ADTA. The mail manager requests the USPS to process the refund to the appropriate account via EFT. If the USPS cannot send an EFT, then the mail manager requests a check or collects cash from the USPS and takes it to the disbursing office with ***Defense Department (DD) Form 1131, "Cash Collection Voucher"*** for deposit as a cash collection.

1605 POSTAL METERS

160501. Commercial Meter Settings

In accordance with 39 CFR 501.15, the USPS accepts payment through Automated Clearinghouse Transfers (ACH), EFT and check for resetting postal meters. For overseas check payments, the mail manager requests a U.S. Treasury check by submitting an SF 1034 with appropriate supporting documentation. The disbursing office makes the U.S. Treasury check payable to the postmaster at the licensing Armed Forces post office. The disbursing office releases the check to the mail manager, who takes the check to the Custodian of Postal Effects (COPE) at the Armed Forces post office. The COPE is a representative of the Army and Air Force Post Office postmaster and sets the meter and mails the U.S. Treasury check to the postmaster. For CONUS payments, EFT is the preferred method of payment. For guidelines on preparing the SF 1034 for payment and additional information on postal meters, refer to DoD 4525.8-M, Chapter 2, sections C2.7 and C2.11.

160502. Refunds for Spoiled Meter Tapes

The mail manager may receive refunds from the USPS for spoiled meter tapes or other types of unused services previously paid. Subparagraph 160402.F of this chapter contains the guidelines for requesting refunds. DoD 4525.8-M, Chapter 2, section C2.11 contains additional information about refunds.

160503. Remote Meters

DoD Components can reset postal meters using a remote method. 39 CFR 501.15 provides the legal authority for using the CMRS and contains details about this payment process.

1606 MISCELLANEOUS PAYMENTS

160601. Stamped Envelopes and DoD Official Business Envelopes

The mail manager orders stamped and DoD official business envelopes using a ***Postal Service (PS) Form 3203-X, Personalized Envelope Order Form***. The mail manager attaches a copy of the completed PS Form 3203-X and the mail manager's certified postal receipt to the SF 1034 as a basis to issue a U.S. Treasury check. According to DoD 4525.8-M, Chapter 2, Figure C2.F1, DoD Components also can use the government purchase card to pay for stamped envelopes.

160602. Postage Stamps

Field locations that purchase postage stamps from the local post office must use credit cards or debit cards.

160603. Business Reply Mail (BRM)

The mail manager obtains a new commercial BRM permit by submitting ***PS Form 3615, "Mailing Permit Application and Customer Profile",*** to the local post office. The mail manager uses a copy of the completed PS Form 3615 to support the SF 1034. A postal receipt certified by the mail manager is attached to the SF 1034. For information on BRM see ***Domestic Mail Manual, Section 507.9.0*** and the DoD 4525.8-M, Chapter 1, section C1.11.3.

160604. Postage Due Costs

A. Under normal circumstances, postage due mail is not accepted by DoD mail rooms. Postage due mail is returned to the sender at the sender's expense.

B. An exceptional circumstance is when DoD Components are engaged in a hostile environment or operating under arduous conditions. Those units can send official matter through the USPS when postage is not available. The addressee will not refuse the postage due penalty mail received from military units engaged in hostile operations, and is obligated to pay the

cost of postage. Refer to DoD 4525.8-M, Chapter 2, section C2.14 for additional details on penalty due postage.

160605. Address Correction Costs

In accordance with the DoD 4525.8-M, Chapter 2, Figure C2.F1, address correction costs can be paid by check, EFT or cash. Supporting documentation must accompany each payment request for processing.

*160606. Express Mail

Payment for express mail is made with stamps, metered postage, or through an express mail corporate account. This account is similar to an ADTA. Payments into an express mail account are advances to the USPS and these deposits are controlled similar to ADTA payments; see section 1604 of this chapter. The mail manager submits ***PS Form 5639, "Express Mail Corporate Account Application and Payment Authorization Form"***, to establish the account. The USPS provides the mail manager with a statement each month. The mail manager reconciles this account with the USPS at least once a month. The site support office confirms the balance in the account with the mail manager monthly.

1607 SMALL PACKAGE DELIVERY COSTS

160701. Commercial Service

DoD Components may elect to use commercial bills of lading or commercial procedures, rather than Government Bills of Lading, to procure express transportation services for small package shipments (1-150 pounds).

160702. Terms and Conditions

These shipments are subject to the terms and conditions set forth in ***41 CFR 102-118,*** and any other applicable contract or agreement of the carrier for the transportation of shipments for the United States. Freight loss and damage claims against commercial carriers using these procedures are processed according to 41 CFR 102-118.450 through 41 CFR 102-118.540.

160703. Method of Payment

The two approved methods for billing and payment of commercial small package express shipments are the Government Purchase Card and a third party electronic payer system used by DoD for transportation. In instances where the environment will not support the electronic processes or business reasons preclude the use of these processes, a waiver may be requested from the Office of the Deputy Assistant Secretary of Defense for Logistics and Material Readiness (Transportation Policy). Waiver requests must contain detailed justification as to why electronic means cannot be used, and a proposed future date when the electronic requirement will be met.

VOLUME 10, CHAPTER 17: "ELECTRONIC SUBMISSIONS AND PROCESSING"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated September 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Restructured chapter for better flow of information.	Update
1702	Changed title of section from "Electronic Commerce" to "Electronic Submissions and Processing Policy" to accurately describe the process.	Update
170205.A	Changed reference from DoD Instruction 8520.2 to read DoD Instruction 8520.02 Public Key Infrastructure (PKI) and Public Key (PK) Enabling	Update

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CHAPTER 17

ELECTRONIC SUBMISSIONS AND PROCESSING

1701 OVERVIEW

170101. Purpose

This chapter prescribes policy requirements for Department of Defense (DoD) Components and contractors to submit payment requests and claims as directed by ***Title 10, United States Code (USC), section 2227*** and ***Defense Federal Acquisition Regulation Supplement (DFARS), Subpart 232.7002***. It provides summary information and specifies the primary methods by which electronic claims may be submitted for payment.

170102. System Controls

The Office of Management and Budget (OMB) prescribes policies and standards for executive departments and agencies to follow in developing, operating, maintaining, evaluating, and reporting on financial management systems. Systems managers are responsible for ensuring that system controls are documented, tested, and certified for entitlement systems **(*OMB Circular A-127-Revised, "Financial Management Systems"*).** They must also provide reasonable assurance that the electronic data transmitted is authorized, complete, correct, and secure. Systems managers will ensure the entitlement office periodically performs tests for system compliance in accordance with the original programming design specifications. System testing will include any system's modifications or upgrades. Tests will confirm key processing procedures and controls are working and reliable. Any deficiencies must be documented. In the event that the internal controls for electronic processing of payment requests are inadequate or are not operating as intended, the entitlement office will revert to a manual process and request proper source documents to support payment. Additional information on internal controls is found in ***OMB Circular A-123, "Management's Responsibility for Internal Control"*** and Volume 1, Chapter 1 and Chapter 3.

*1702 ELECTRONIC SUBMISSIONS AND PROCESSING POLICY

170201. Electronic Payment Requests

Title 10 USC 2227 requires that any claim for payment will be submitted in electronic form and DoD Components will process those payment requests electronically under DoD contracts. Exceptions to submitting payment requests electronically are specified in DFARS 232.7002. The electronically transmitted payment request is treated the same as a paper payment request and must contain identical data elements as a proper paper payment request would, as specified in ***Federal Acquisition Regulation (FAR) 32.905(b) "Content of Invoices"*** and Volume 10, Chapter 8, Paragraph 080404. Electronically transmitted payment requests returned to the contractor will be returned in the same manner they were received or in a manner practical for the entitlement system. The electronically transmitted payment request must be accompanied by an electronic message reporting the reason for return. Electronically transmitted invoices are retained in accordance with Volume 5, Chapter 21 and Volume 10, Chapter 8.

170202. Wide Area Workflow (WAWF)

Guidance for processing electronic payment requests, receiving reports, acceptance, and certification functions using ***WAWF*** is contained in ***DFARS 232.7003*.**

170203. Electronic Receipt and Acceptance Certification

The electronic receipt and acceptance of materials or services are accomplished through WAWF, Enterprise Resource Planning (ERP) systems and third party payment systems with the use of an electronic signature.

170204. Electronic Voucher Certification

Certifying officers who certify electronic vouchers must submit an electronic ***Department of Defense Form 577 (Appointment/Termination Record-Authorized Signature)*** as prescribed by Volume 5, Chapter 33.

A. When electronic techniques are used, it is not necessary to also transfer paper documentation to the entitlement office for examination if the data can be obtained using the electronic process. In some situations, the contractor submitting Electronic Data Interchange (EDI) payment requests may be asked to provide paper documentation for validation or audit purposes.

B. Entitlement offices must further ensure that the transmitted data contains the necessary Prompt Payment Act (PPA) information in accordance with FAR 32.905(b) and 5 CFR 1315.9.

170205. Electronic and Digital Signatures

DoD is authorized to use electronic and digital signatures as prescribed by ***15 USC 7001*** and ***15 USC 7021*** and in accordance with Volume 5, Chapter 1. Electronic and digital signatures must meet the minimum requirements of Volume 5, Chapter 1, Paragraph 010303.D. The certifying officer will verify the validity of proposed payments to the entitlement office through the use of an electronic signature. The electronic signature must stay linked to the voucher or certificate to which it applies throughout the payment process. The electronic signature must include the certifying official's approval or disapproval, name, and title.

* A. Electronic and digital signatures are used for receipt, acceptance, and certification of payment requests. Electronic signatures are generally processed through a specific automated information system. Digital signatures are generally not dependent upon access to a specific system; they are created in a Public Key Infrastructure (PKI) form. Guidelines for digital signature requirements are prescribed in ***DoD Instruction 8520.02*.** Electronic or digital signatures may be used where an authorized signature is required on a paper document.

B. An approved electronic or digital signature adopted by a certifying official must be:

1. Unique to that person;

2. Under that person's sole control and custody;

3. Linked to the document so if anything on the document is changed, the electronic or digital signature is invalidated; and

4. Capable of being verified by a disbursing officer.

170206. Electronic Document Access (EDA)

DoD uses EDA for the centralized repository of all official payment documentation**.** More information regarding business rules for using the system are contained in the ***EDA Manual***.

170207. System for Award Management (SAM)

Vendors and contractors doing business with the Federal Government must register in ***SAM*** (***FAR 4.11***). Contractors are responsible for keeping all CCR information current. Contractors not providing correct CCR or banking information will not be eligible for Prompt Payment interest, as prescribed by ***5 CFR 1315.4***. The CCR and Electronic Funds Transfer (EFT) will not be used to change the identity of the payee. The payee may only be changed pursuant to a legal process such as an Assignment of Claims, tax levy, surety takeover agreement, Department of Labor levy, or novation. See Volume 10, Chapter 3.

170208. Electronic Funds Transfer (EFT)

All contractor payments shall be made by EFT, as prescribed by ***FAR 32.1103***. Exceptions to making payments via EFT are cited in ***31 CFR 208.4***. The applicable policy and procedures for contract financing and delivery payments to contractors by EFT are found in FAR 32.11. Additional information on EFT can be found in Volume 5, Chapter 24.

VOLUME 10, CHAPTER 18: "CONTRACTOR DEBT COLLECTION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated July 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
180206	Clarified definition of delinquent debt.	Update
180207	Added definition for legally enforceable debt.	Add
180301	Added that Debt Collection Offices will ensure that debts are valid and legally enforceable.	Add
180403	Clarified guidance on information to be included in demand letter and added requirement to include that debt information may be published on the Federal Improper Payment website.	Update
180404	Clarified guidance regarding the removal of the 10-year statute of limitations for collecting debt through administrative offset.	Update
180501.B	Clarified guidance regarding requirements for debtor notification prior to administrative offset.	Update
180502.C	Added that administrative offsets can be taken if taxpayer identification number of payee matches taxpayer identification number of debtor.	Add
180601 and 180604	Added that if in the best interest of DoD, delinquent debts may be referred to the Department of the Treasury earlier than 180 days delinquent.	Add
180703 180704 180705	Clarified guidance on the Department of the Treasury and Department of Justice approval authority for compromise, suspension and termination of collection action.	Update
180902	Clarified guidance on interest charged on delinquent debts.	Update
180904	Added that penalty charges are computed on any outstanding debt, which includes interest and administrative charges.	Add

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
181002	Deleted guidance on accounting for disputed collections under the Contract Disputes Act of 1978. Guidance has been incorporated into Volume 4, Chapter 3.	Delete

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CHAPTER 18

CONTRACTOR DEBT COLLECTION

1801 OVERVIEW

180101. Purpose

This chapter issues policy for the collection of debts that are owed by contractors, vendors, assignees, and business entities to the Department of Defense (DoD).

180102. Scope

Policies in this chapter are not applicable to debts owed by the United States (U.S.) Government. Refer to Volume 5, Chapter 25 for policies and procedures for the handling of indebtedness associated with fraud. Policies in this chapter are consistent with the ***Federal Acquisition Regulation (FAR)*** and the ***Defense Federal Acquisition Regulation Supplement (DFARS)***.

180103. Legal Authority

Some of the legal authorities for the guidance in this chapter are: ***Title 31, United States Code (U.S.C., Chapter 37),*** the Federal Claims Collection Standards (FCCS), and ***41 U.S.C. 7013***. The FCCS regulation, issued jointly by the Department of the Treasury and the Department of Justice (DOJ), is codified at ***Title 31, Code of Federal Regulations, Chapter 9, Parts 900-904 (31 C.F.R. 900-904)***. These provisions implement the statutory requirement for mandatory referrals of eligible delinquent debts to the Department of the Treasury.

1802 DEFINITIONS

180201. Accounts Receivable Office (ARO)

The ARO is the office responsible for recording and reporting receivables and can also be the office responsible for debt collection. In most, but not all cases, the ARO is located at a Defense Finance and Accounting Service (DFAS) site.

180202. Debt/Claim

Debt and claim, as used in this chapter, are synonymous and interchangeable. They refer to an amount of money, funds, or property that has been determined by an appropriate official to be owed to DoD from a contractor, vendor, assignee, or business entity.

180203. Debt Collection Office (DCO)

The DCO is the office responsible for initial debt collection and serving due process. The DCO refers to a general category of offices and includes, but is not limited to, the ARO, military and civilian payroll offices, Debt Management Office, contracting offices, disbursing office, Foreign Government Debt Management Office and other organizational elements within the DoD Components that perform debt management/collection actions.

180204. Debt Management Office (DMO)

The DMO is the consolidated DFAS office that processes collection actions on referred vendor/contractor debt.

180205. Debt Referring Office

The Debt Referring Office is the DCO or other office responsible for referring contractor, vendor, assignee and business entity debt to DMO. This could include, but is not limited to, AROs, accounting offices, vendor pay offices, contracting offices, and disbursing offices.

*****180206. Delinquent Debt

This is a debt that has not been paid by the due date specified in the initial written demand for payment (i.e., invoice, demand letter, or applicable agreement or instrument (including a post-delinquency payment agreement)). A debt becomes delinquent when:

A. A payment has not made by the due date specified in the initial demand for payment, in the case of administrative debts such as fines, fees, penalties, and overpayments. The due date is usually 30 days after the demand for payment is mailed or delivered. The date of delinquency is the date the demand for payment is mailed or delivered.

B. A payment has not been made by the payment due date, or by the end of the "grace period" as established in a loan or repayment agreement, as in the case of a debt being paid in installments. If an installment payment is not made by the due date, or by the end of the "grace period" as established in a loan or repayment agreement, then the entire balance of the debt becomes delinquent from the due date of the missed payment. Date of delinquency is the payment due date.

*****180207. Legally Enforceable Debt

A debt is legally enforceable if the DCO has made a final determination that the debt, in the amount stated, is due and there are no legal bars to collection action. See ***31 C.F.R. 285.5(b)***. If the debt is the subject of a pending administrative review process required by statute or regulation and collection action during the review process is prohibited, then the debt is not considered legally enforceable for purposes of mandatory referral to the Department of the Treasury. Delinquent debt that is deemed not legally enforceable shall not be referred to the Department of the Treasury for collection, regardless of the age of the debt.

180208. Offset

An offset is the withholding of the entire amount or a portion of a payment to a payee so that the amount withheld can be used to liquidate the payee's debt.

1803 COLLECTION OF DEBTS

*180301. General

It is the policy of DoD that debts owed to the government shall be promptly and aggressively collected, with follow-up action(s) taken as necessary. DCOs will, throughout the debt collection process, take steps to ensure that debts are valid and legally enforceable. Debts determined not to be valid or legally enforceable will be processed following the guidance in Volume 4, Chapter 3.

180302. Debt Management Requirements

In order to protect the government's interests, officials of DoD Components (including contracting officers, contractor/vendor entitlement offices, disbursing officers, accounts receivable staff, and auditors) shall cooperate fully with each other to ensure the following required actions are accomplished.

A. Identify and Correct Debt Causes. Procedures shall be established at all organizational levels, as necessary, to identify the causes of indebtedness, delinquencies, and defaults. Corrective actions shall be taken to eliminate those causes and reduce the number of debts subject to collection.

B. Internal Controls. Effective internal controls shall be established according to requirements specified in this regulation, consistent with applicable statutes and regulations. Debts shall be aged so that timely and appropriate collection and follow-up action can be accomplished. Refer to Volume 4, Chapter 3 for guidance on the recording and reporting of accounts receivables.

C. DoD Debtor Information Exchange Program. DoD Components shall participate in governmental and DoD debtor information exchange programs.

D. Debt Collection Partnering. DoD Components shall cooperate with each other and other federal agencies, as requested, to collect delinquent contractor or vendor debts.

180303. Documenting Collection Activity

DCOs shall document debt collection activities, including the basis for debt compromise, suspension, or termination of collection action, and retain the documentation in individual debtor files.

180304. Collection Priorities for Multiple Debts

Internal DoD administrative offsets shall continue until a debt is paid prior to offsetting or liquidating subsequent debts. Consideration shall be given to applicable statutes of limitations and collection priorities to ensure that maximum amounts of indebtedness are collected within the allowed recovery period. Unless otherwise prescribed by statute or regulation, debts owed to more than one DoD Component or federal agency shall be collected in the following priority sequence for DoD administered collection programs (within each component listed below, collect the oldest debt first):

A. Debts owed to the creditor DoD Component.

B. Debts owed to other DoD Components.

C. Debts owed to other federal agencies.

180305. Crediting Collections to Accounts

If collected in time to be credited to a current or expired fiscal year appropriation, then credit the debt principal amounts to the appropriation or account originally charged when funds were disbursed or to the appropriation or account originally designated to receive credit as a result of a sale of goods or services. Collections for debt principal received after an appropriation cancels will be credited to the Treasury Miscellaneous Receipt Account, Collections of Receivables from Canceled Accounts, as designated by law. Credit interest, penalties, and administrative charges received to the appropriate Treasury Miscellaneous Receipt Account in accordance with Volume 4, Chapter 3.

180306. Automating Debt Collection and Reporting Systems

DoD Components shall use debt collection and reporting systems, automated to the extent it is feasible and cost effective, for recording, processing, and controlling debts. AROs and DMO shall use the Contractor Debt System (CDS) to suspense and track new and existing contractor debt.

180307. Pecuniary Liability

There is nothing in this chapter that exempts accountable officials from pecuniary liability arising from erroneous payments and loss of funds as discussed in Volume 5, Chapter 6.

180308. Collections by Disbursing Officers

Disbursing officers are officials designated to make payments under a contract and to receive payments for amounts due to the government. (See ***DFARS 232.605.***) Disbursing officers are responsible for determining the amounts and collecting contract debts whenever overpayments or erroneous payments have been made. The disbursing officer also has primary responsibility when the amounts due and dates for payment are contained in the contract, and a

copy of the contract has been furnished to the disbursing officer with notice to collect as amounts become due. However, when a contract modification (downward adjustment) is issued after the date of a disbursement that causes a contract to be in an overpayment status, the result of that modification is not an erroneous payment with respect to this chapter. The vendor pay office or disbursing officer shall contact the procuring contracting officer or the administrative contracting officer (the individual who issued the modification causing the overpayment) to ensure that a demand letter is sent to the contractor for recovery of funds.

180309. Debt Collection Initiated by Contracting Officers or Designees

A. The contracting officer has primary responsibility for determining the amount of the debt and ensuring collection of the debt for most types of contract debts. This can include those debts which are the result of an erroneous payment. When a contracting officer or other authorized official requests that a disbursing officer recover a debt and provides a copy of the contract to the disbursing officer, including the payment dates and amounts due to the contractor, the disbursing officer shall recover the debt. If the contracting officer or other designated official receives the contractor's payment, then the contracting officer or other designated official should immediately forward the payment to the disbursing office, with a request for confirmation of receipt of the payment.

B. Unless otherwise prescribed, the appropriate DoD Component contracting officer, or designee, in accordance with the procedures in the FAR, as supplemented by the DFARS and this regulation, shall initiate collection of contractor debts described below.

1. Damages or excess costs related to defaults in performance.

2. Breach of contract obligations for progress payments, advance payments, or payments for government furnished property or material.

3. Government expenses to correct defects.

4. Overpayments for errors in quantity, billing, or deficiencies in quality.

5. Billing and price reductions resulting from contract terms for price redetermination or for determination of prices under incentive type contracts.

6. Overpayments disclosed by quarterly statements required under price redetermination or incentive contracts.

7. Delinquency in contractor payments due under agreements or arrangements for deferral or postponement of collections.

8. Reimbursement of costs, as provided in the ***FAR, subparts 33.102(b) and 33.104(h)(1)***, paid by the government where a postaward protest is

sustained as a result of an awardee's misstatement, misrepresentation, or miscertification as provided in the FAR, subpart 33.104(h)(8).

C. The DoD Component contracting officer, or designee, shall notify the supporting ARO/accounting office of all collection and offset transactions and all notices issued or received that affect the DoD Component's accounting records in the accounting month that the activity occurred. This will ensure that receivables are established, aged, collected, and written-off in the accounting records and identified in reports as required in Volume 4, Chapter 3.

1804 DEMAND FOR PAYMENT

180401. General

The DCO will issue a written demand for payment within 5 working days after recognizing the debt using terms that inform the debtor of the consequences of failing to cooperate with DoD to resolve the indebtedness. Give priority first to voluntary payment before initiating involuntary measures for recovery of debts. Payment measures include one or more of the following activities: internal debt recovery processes by DoD (through installment agreements, internal administrative offsets, and/or referral of the debt to the DMO for further processing), and/or referral to the Department of the Treasury for cross-servicing. Referral of debts to DOJ for litigation also may be required. There is nothing in this chapter that is intended to preclude a DoD Component from demanding the return of specific property, or alternatively, the payment of the value of the property. Normally, attempt to recover debts under $600 through established internal DoD payment offset procedures, to include issuance of demand letters.

180402. Demand Letters

A. Number of Demand Letters. It is DoD policy that only one demand letter is required. Issue second and third demand letters at 30 day intervals after the date of the initial demand letter when deemed appropriate.

B. Demand Letters Issued by Disbursing Officers. Disbursing officers are responsible for issuing a demand letter under paragraph 180308 of this chapter.

C. Demand Letters Issued by a Contracting Officer or Other Designated Official

1. The appropriate DoD Component contracting officer, or other designated official, shall initiate collection of contractor debts. Refer to the ***FAR, subpart 32.6***, as supplemented by the DFARS, subpart 232.6, "Contract Debts" for specific requirements. Issue demands for payment as soon as the contracting officer has determined the amount of the debt. Contracting officer demands for payment shall be issued consistent with requirements of the applicable FAR or DFARS provisions associated with the specific type of debt involved (e.g., ***FAR, subpart 15.4*** for defective pricing and ***FAR, subpart 30.602*** for noncompliance with Cost Accounting Standards (CAS)).

2. The contracting officer shall send a copy of each demand letter and documentation that identifies the line of accounting for the distribution of the principal amount of the debt to the DCO, supporting ARO, and accounting office.

3. The contracting officer shall follow up periodically with the DCO, ARO, or supporting accounting office to ensure that contract debts have been collected and credited to the proper appropriations.

*180403. Content of Demand Letters

See ***FAR, subpart 32.604*** for specific information that must be included in demand letters for contractors. Include in the demand letter, at a minimum, the following:

A. The amount and reason for the indebtedness, the authority for establishing the debt, and the rights, if any, that the contractor/vendor may have to seek review of the indebtedness.

B. The date by which full payment must be made in order to avoid late charges and enforced collection. That date will not be more than 30 days from the date of the demand letter, unless a specific due date is established by statute, contract provision, or other notice of indebtedness.

C. The address where payment should be sent (and notice that the check, or wire transfer when applicable, shall be made payable to Disbursing Officer, Location of Disbursing Office).

D. Notification that any amounts not paid within 30 days from the date of the demand letter shall bear interest from the date of the demand letter, or from the date specified in the contract, if applicable, and the rate that shall be used for calculating interest. Include the applicable standards (e.g., 31 C.F.R. 901.9) upon which any interest, penalties, or administrative charges are based.

E. Notification that the principal and interest shall be subject to collection by administrative offset in accordance with applicable statutory or regulatory provisions.

F. The name, address, e-mail address, and telephone number of a point of contact that the contractor or vendor may speak with or write to regarding the debt.

G. A statement in the initial demand letter when the amount of the debt(s) is $600 or more, that the indebtedness shall be referred to the DMO for further collection action and that the debt may be referred to the Department of the Treasury for inclusion in their cross-servicing and Treasury Offset Program.

H. Any available documentation that substantiates the indebtedness.

I. A statement that:

1. If the debt is not paid in full by the due date stated in the demand letter, then the DCO will assess an administrative charge. See paragraph 180905 of this chapter.

2. If the debt becomes delinquent and is referred to the DMO, then an additional administrative charge will be assessed.

3. If the debt is not paid in full within 60 days from the due date stated in the demand letter, or 90 days from the date of delinquency (date the demand letter was mailed), then in addition to the interest and administrative charges, a penalty, 6 percent per annum, will be assessed on the unpaid debt. See paragraph 180904 of this chapter.

J. A statement that, in accordance with ***OMB Circular A-123, Appendix C, Part III***, high-dollar overpayments may be reported on the Federal Government's improper payment website. A high-dollar overpayment is any overpayment that is in excess of 50 percent of the correct amount of the intended payment under the following circumstances:

1. Where the total payment to an individual exceeds $5,000 as a single payment or in cumulative payments for the quarter, or

2. Where the payment to an entity exceeds $25,000 as a single payment or in cumulative payments for the quarter.

*180404. Maximum Time Limitations for Collecting Debts

A. Filing a Formal Complaint

1. In accordance with the time limitations specified in ***28 U.S.C. 2415***, DoD is barred from filing a formal complaint to pursue collection action under this chapter after the expiration of the later of the following dates: 6 years from the debt repayment due date, or within 1 year after a final decision has been rendered in an administrative proceeding, such as an action before the Armed Services Board of Contract Appeals (ASBCA).

2. In the event that a debtor makes a partial payment of or written acknowledgment of the debt after the time limitation for filing a formal complaint has lapsed, the time limitation for collection action shall accrue again at the time of each such payment or written acknowledgment of debt.

B. Administrative Offset. Section 14219 of ***Public Law 110-246*** amended 31 USC 3716(e) to eliminate the 10-year statute of limitations on collection by administrative offset. As a result, all debts, including those previously ineligible for collection prior to the removal of the time limit, may now be collected by administrative offset, without any time limitation. Debts more than 10 years delinquent as of December 31, 2009, that were previously ineligible for collection may now be collected by administrative offset provided additional notice and due process requirements are met. See paragraphs 180403 and 180501.B of this chapter.

1805 INTERNAL ADMINISTRATIVE OFFSETS

180501. General

A. Recover debts internally within DoD, to the extent practicable, by voluntary repayment of the debt by the debtor or by administrative offset(s) of other payments owed to the contractor. The contractor shall be required to liquidate debts either by payment in a lump sum on demand or by credit against unpaid bills due the contractor, unless an installment agreement has been entered into or a deferment of collection has been approved (See ***FAR, subpart 32.606***.). If 30 days have elapsed since the initial demand letter was mailed and no payment has been received, then offset the amount of a contractor's indebtedness against other monies that are owed the contractor.

* B. Before administrative offset is initiated, the DCO will advise the debtor of the proposed action. See paragraph 180403 of this chapter. Additional notice and due process requirements apply to the collection of debts that are 10 years delinquent as of December 31, 2009, and which are referred to the Treasury Offset Program (TOP). For debts outstanding more than 10 years on or before December 31, 2009, a second written notice of the agency's intent to offset must be issued to the debtor even if such a notice was previously issued prior to the debt becoming 10 years delinquent. The second notice shall describe the agency's intent to collect the debt through offset and provide the debtor with additional inspection, copying, review, and repayment opportunities. The second notice shall meet the requirements of paragraph 180403 of this chapter. See 31 C.F.R. 285.5 for additional guidance.

180502. Administrative Offset as Deduction From Payment due a Contractor

A. The FAR, subpart 32.606 allows for offsetting contractor payments to liquidate debts owed by the contractor. Administrative offsets (that include appropriate administrative charges) shall be made against the same contract that gave rise to the debt, provided that payments are scheduled under that contract. Effect administrative offsets against amounts due the contractor under other contracts only when administrative offsets against the contract that gave rise to the debt cannot be accomplished. The disbursement voucher must be approved and the accounting classification charged for the total amount of the entitlement with no regard for the deduction being applied. Prominently annotate the face of the voucher with the amount withheld and the accounting classification credited to ensure that only the adjusted net amount is paid to the contractor. A notation with the appropriate information also shall be made that adequately informs the payee of the reason(s) for the deduction.

B. Administrative offsets normally shall not be accomplished when there is an existing assignment of claims associated with the contractor. DCO personnel shall seek guidance from their legal staff, as appropriate, in determining whether an administrative offset may be taken when an assignment of claims exists.

* C. Pursuant to 31 U.S.C. 3716(c) and in accordance with 31 C.F.R. 901.3, a DCO will process an administrative offset to collect a debt when the name and tax identification

number (TIN) of a payee match the name and TIN of a debtor and all other requirements for administrative offset have been met

180503. Credit Invoice

A. The demand letter shall indicate that a credit invoice, which is defined as a contractor's request to liquidate the debt against existing unpaid bills due to the contractor, is not an acceptable means for liquidating indebtedness; however, as an exception, a credit invoice may be accepted under special circumstances and only when there is a payable invoice to which the credit can be applied. The contractor should furnish the DCO, upon request, an invoice number, date, and the amount of the debt to be offset against the invoice, according to the credit invoice.

B. A contractor may indicate on an invoice, or on a progress payment request, that the amount of the credit invoice shall be deducted from the amount due from the government. In all other instances, a determination must be made on the most efficient manner in which the debt can be recovered. In making this determination, give consideration both to the relative costs that would be incurred by DoD under each option and to the method that is expected to result in liquidation of the debt at the earliest date. The latter factor is dependent upon the expected volume and frequency of incoming invoices that are susceptible to administrative offset. Regardless of the method selected, the DCO shall acknowledge receipt of the credit invoice and inform the contractor of its disposition. If direct remittance is required, the acknowledgement shall contain a statement, such as: "This is to acknowledge receipt of your credit invoice 14245, dated December 14, 2008. We cannot accept this document as liquidation of your indebtedness, and must ask that you remit a check to the following address: _____." If an offset is accomplished, the DCO's letter shall contain a statement such as: "This is to acknowledge receipt of your credit invoice 67890, dated June 12, 2008." Receipt of a credit invoice by the due date (where the due date is stated in the demand letter) does not preclude charging interest and administrative charges.

180504. Payment Schedule

A. Whenever possible, payment, including deferred payment, shall be made in one lump sum.

B. When a debtor contractor is able to establish sufficient justification, a series of installment payments may be approved that will ensure liquidation of the debt within a reasonable period of time. In accordance with ***31 C.F.R. 901.8***, installment payments should be sufficient in size and frequency to liquidate the debt within 3 years. Interest shall be computed and assessed for each payment of outstanding debt. If the contractor contends that more than 3 years is needed, then refer the request to the DMO for a determination. The DMO may approve a contractor's request for an installment agreement; however, the DMO may not unilaterally deny a contractor's request for an installment agreement without first obtaining consent from the creditor DoD Component's senior financial manager (FM) or designee. In the latter case, the DMO shall send the request to the office of the creditor DoD Component's senior FM or designee within 3 working days from the date the request was received. A copy of all installment

agreements entered into by the DMO shall be forwarded to the office that referred the debt to the DMO and the office of the creditor DoD Component's senior FM or designee.

C. All payments received, whether in lump sum or installments shall be collected and deposited to the appropriate account upon receipt. The supporting accounting office/ARO must be informed of all collections as this office maintains the official accounts receivable records. Refer to Volume 4, Chapter 3 for guidance on the proper recording and accounting procedures for the above remittances. If the amount received is not adequate to liquidate the entire amount of the indebtedness, then apply the remittance as follows:

1. Outstanding penalties.

2. Administrative charges.

3. Interest accrued by debt.

4. Principal. If the debt is the result of an erroneous or duplicate payment, then the principal includes the amount of the original payment and any prompt pay interest that may have been added to the amount of the payment.

1806 REFERRAL OF DELINQUENT DEBTS

*180601. Statutory Provision

The ***Debt Collection Improvement Act of 1996*** requires agencies to refer valid and legally enforceable debts that have been delinquent 180 days to the Department of the Treasury for collection. If it is in DoD's best interest, then valid and legally enforceable debts may be referred to the Department of the Treasury earlier than 180 days.

180602. Delinquent Debts Under $600

A. AROs, after exhausting all reasonable efforts, including internal administrative offsets, to recover the debt will write off delinquent debts under $600 in accordance with Volume 4, Chapter 3 unless the debt can be combined with other debts in accordance with subparagraph 180602.B of this chapter. Although a debt is written off, collection of the debt through internal administrative offset still may be pursued until the debt is closed out.

B. If a contractor, vendor, assignee or business entity has more than one debt, each under $600, then combine these debts. If the sum total of these debts is equal to or greater than $600, then refer them to DMO per guidance in paragraph 180603 of this chapter.

C. Consider referring a debt under $600 to DMO only when a determination is made that the recovery of the debt is in the best interest of the government.

180603. Delinquent Debts $600 or Greater or Multiple Debts Equal to or Greater Than $600

A. General. DCOs will refer valid and legally enforceable debts that are equal to or greater than $600 or multiple debts equal to or greater than $600 to the DMO no later than 60 days following the payment due date when the DCO has gathered all required supporting data and has determined that liquidation through remittance or offset is unlikely to occur. Debts shall be validated by the office referring debts to DMO. The DMO shall issue a notification debt acceptance to the DCO and will also notify the supporting accounting office responsible for maintaining the official accounting records of the referral and acceptance. In compliance with paragraph 180905 of this chapter, administrative charges may be assessed for the expenses of referring the debt.

B. Supporting Documentation. DCOs will include, at a minimum, the following documents when referring a debt to the DMO:

1. Copies of paid vouchers which relate to the specific debt. For example, claims resulting from erroneous overpayments to the contractor need to be supported only by those paid vouchers that will assist in fully understanding the case. Submission of all paid vouchers under the contract is encouraged when such documentation is necessary for a full understanding of the claim. All paid vouchers submitted in support of claims referred shall clearly indicate the date that the disbursement was made.

2. Amounts of collections/offsets and dates collections were received or payments were offset.

3. For duplicate payments and dual negotiated successor checks, legible copies of the negotiated checks obtained from the Department of the Treasury.

4. All demand letters, other correspondence, and written documentation of telephone or personal contacts with the debtor and others which are pertinent to the debt.

5. Any other documents needed to support a recommendation for compromise, discontinuance, or termination.

6. Taxpayer identification number.

7. Telephone number, address, and (if available) the name of a point of contact who is knowledgeable of the following entities:

a. Debtor.

b. Contracting office making the referral.

c. Disbursing office making the referral.

d. Supporting accounting office.

8. In the case of a determination of debt(s) resulting from an audit or contract reconciliation, a copy of the audit or reconciliation report, with sufficient supporting documentation to explain the conclusions.

9. The accounting classification/appropriation to which the principal portion of the debtor's payments should be deposited.

10. Copies of documentation supporting sales of goods and services to commercial entities on a reimbursable basis.

11. The Commercial and Government Entity (CAGE) code.

C. Funds Accountability. After referral to the DMO, the DMO shall have full responsibility for collecting the delinquent debt. Funds accountability, however, does not transfer to the DMO. If an office other than the DMO receives a payment after referral of the debt, then the office receiving the payment shall notify the DMO, within 3 workdays, of the receipt and disposition of the payment. When there are overcharges to appropriations or funds, the supporting accounting office/ARO shall continue to maintain control over the receivables. The DMO only maintains a memorandum accounts receivable record. The DMO shall notify the FM representative of the cognizant DoD Component and the supporting accounting office/ARO when the debt should be written off. In the case of dual negotiated checks, the DMO shall also notify the accountable disbursing office or settlement office.

*180604. Referral of Debts to the Department of the Treasury

The DMO shall refer valid and legally enforceable debts, which have been delinquent over 180 days, to the Department of the Treasury for debt collection and cross-servicing. Recovery and collection of debts referred to the Department of the Treasury for cross-servicing are subject to the administrative offset provisions of ***31 C.F.R. 901.3***. DoD Components that do not refer debts to DMO will negotiate an agreement with the Department of the Treasury for referral of delinquent debts that are over 180 days old for collection assistance. If it is in DoD's best interest, then valid and legally enforceable debts may be referred to the Department of the Treasury earlier than 180 days. The Department of the Treasury website for debt collection, ***Overview: Debt Management: Programs and Systems: Financial Management Service***, contains detailed guidance and procedures. See Volume 4, Chapter 3 for a list of exceptions to the requirement to refer delinquent debt to the Department of the Treasury.

1807 SUSPENSION, COMPROMISE, AND TERMINATION OF COLLECTION ACTIONS

180701. General

The FCCS (31 C.F.R. 900-904) provides agencies authority to compromise, suspend or terminate collection action. Requests for compromise, suspension or termination of collection

action may be prepared and submitted by the contracting officer, DMO, ARO, fund holder, or other entity involved in contractor/vendor accounts receivable management.

180702. Determining Debt Amount for Compromise, Suspension, and Termination

Debts shall not be subdivided to avoid monetary ceilings for debt compromise, suspension, or termination of collection actions. A debtor's liability arising from a particular transaction shall be considered a single debt in determining if a debt is greater than $100,000 for purposes of compromise, suspension, or termination.

*180703. Compromise

A. Compromise is the acceptance of less than the full amount of the debt in full satisfaction of the entire amount of the debt.

B. DFAS has authority to approve compromises for debts arising out of the activities of, or referred to, DFAS when the principal amount does not exceed $100,000. DFAS will coordinate with the fund holder as part of carrying out these responsibilities.

C. DoD Components have authority to approve compromises for debts not referred to DFAS when the principal amount does not exceed $100,000.

D. The Department of the Treasury has authority to compromise debts, which have been referred to the Department of the Treasury for cross servicing, when the principal amount is less than or equal to $500,000.

E. DOJ has authority to compromise debts when the principal amount exceeds $100,000 and the debt is not being serviced by the Department of the Treasury in its cross-servicing program and also has authority to compromise all debts with a principal amount greater than $500,000.

F. If DFAS or the DoD Component is uncertain whether or not to accept the compromise offer and the offer is within the limits for which DFAS or the DoD Component has authority, then they may refer the offer to DOJ for action. See ***31 C.F.R. 902*** for specifics on when a compromise can be approved.

*180704. Suspension

A. Suspension of collection action is a determination to temporarily cease collection action. This generally occurs when the debtor cannot be located, the debtor's financial condition is expected to improve, or the debtor has requested a review of the debt.

B. DFAS has authority to suspend collection action on debts arising out of the activities of, or referred to, DFAS when the principal amount does not exceed $100,000. DFAS will coordinate with the fund holder as part of carrying out these responsibilities.

C. DoD Components have authority to suspend collection action on debts not referred to DFAS when the principal amount does not exceed $100,000.

D. The Department of the Treasury has authority to suspend collection action on debts, which have been referred to the Department of the Treasury for cross-servicing, when the principal amount is less than or equal to $500,000.

E. DOJ has authority to suspend collection action on debts when the principal amount exceeds $100,000 and the debt is not being serviced by the Department of the Treasury in its cross-servicing program and also has authority to suspend collection action on all debts with a principal amount greater than $500,000. See ***31 C.F.R. 903.2*** for specific guidance on the suspension of collection action.

F. The DoD Component's senior FM or designee has the authority to defer collection action on debts under the provisions of the Contract Disputes Act of 1978 (***41 U.S.C. 7101 through 7108***). See section 1810 of this chapter for additional information on contract disputes. There is no dollar threshold for deferments under the Contract Disputes Act of 1978 or the FAR, subpart 32.607.

*180705. Termination

A. Termination of collection action is a determination to cease collection action with no intention to resume collection action at a later date. This generally occurs for example, when the DCO is unable to collect any substantial amount through its own efforts or those of others; the DCO is unable to locate the debtor; or the costs of collection are anticipated to exceed the amount recoverable.

B. DFAS has authority to terminate collection action on debts arising out of the activities of, or referred to, DFAS when the principal amount does not exceed $100,000. DFAS will coordinate with the fund holder as part of carrying out these responsibilities.

C. DoD Components have authority to terminate collection action on debts not referred to DFAS when the principal amount does not exceed $100,000.

D. The Department of the Treasury has authority to terminate collection action on debts, which have been referred to the Department of the Treasury for cross-servicing, when the principal amount is less than or equal to $500,000.

E. DOJ has authority to terminate collection action on debts when the principal amount exceeds $100,000 and the debt is not being serviced by the Department of the Treasury in its cross-servicing program and also has authority to terminate collection action on all debts with a principal amount greater than $500,000. See ***31 C.F.R. 903.3*** for specific guidance on the termination of collection action.

180706. Supporting Documentation

The supporting accounting office, ARO, or DMO will maintain supporting documentation for compromises, suspensions, and terminations.

1808 WRITE-OFF AND CLOSE-OUT OF ACCOUNTS RECEIVABLE

180801. Debts Referred to DMO

When all means to recover the debt have been exhausted and the Department of the Treasury and/or DOJ has notified DMO that a debt is uncollectible, the DMO shall notify the ARO that the debt should be written off. See Volume 4, Chapter 3 for additional guidance on write-off and close-out procedures.

180802. Debts Not Referred to DMO and Debts Under $600

See Volume 4, Chapter 3 for additional guidance on write-off and close-out procedures.

1809 INTEREST, PENALTIES, AND ADMINISTRATIVE CHARGES

180901. General

DoD Components will charge interest, penalties, and administrative charges on all late payments whether the debt is paid in a lump sum or by installments. This includes when the debtor is a state or local government.

*180902. Interest Rate

In most cases, the debtor shall be assessed interest calculated as follows:

A. Debts Covered Under the FAR. Interest shall accrue from the date of the demand letter, if unpaid after 30 days from the issuance of the demand letter. The interest rate charged shall be the interest rate established by the Secretary of the Treasury in accordance with ***41 U.S.C. 7109***, which is applicable to the period in which the amount becomes due, and then at the rate applicable for each six-month period as fixed by the Secretary of the Treasury until the amount is paid. This rate is published in the Federal Register and on the Department of the Treasury's website, ***http://www.fms.treas.gov/prompt/index.html***. See ***FAR 32.608.1*** for additional guidance.

B. Debts NOT Covered Under the FAR. Interest shall accrue from the date of the demand letter, if unpaid after 30 days from the issuance of the demand letter. The interest rate charged shall be the rate established by the Secretary of the Treasury in accordance with ***31 U.S.C. 3717***. Such interest rate, which is commonly referred to as the Current Value of Funds (CVF) Rate, is published in the Federal Register and on the Department of the Treasury's website ***http://www.fms.treas.gov/prompt/index.html***. The interest rate, as initially charged,

shall remain fixed for the duration of the indebtedness. See 31 U.S.C. 3717 and ***31 C.F.R 901.9*** for additional guidance.

180903. Calculating Simple Interest

Unless otherwise established in the specific contract, repayment agreement, statute, or regulation, interest is not assessed until the due date for payment of indebtedness has passed. Interest accrues, however, from the date of the demand letter to the date the debt is paid in full. Therefore, the minimum amount charged for interest shall be for a 30-day period. When the due date passes without receipt of the required payment from the contractor, interest shall be calculated by multiplying the principal amount of the debt by the daily CVF interest rate (applicable CVF divided by 360 days) times the number of days in the interest period. When computing the daily CVF interest rate, round the result to five decimal places. The Department of the Treasury annually or quarterly publishes the CVF rates in the Federal Register and in Treasury Financial Manual bulletins. If there is an offset, or if the principal amount of the debt decreases for any other reason, then the daily amount of interest needs to be recalculated, effective with the date of the change.

*180904. Penalty Charges

DCOs shall assess a penalty charge of 6 percent per annum on any portion of the debt, including any interest and administrative costs, that is delinquent for more than 90 days. Penalty charges shall accrue from the date of delinquency. See paragraph 180206 of this chapter for an explanation of date of delinquency.

180905. Administrative Charges

Administrative charges relate only to delinquent debts (i.e., debts not paid for 30 from the date the demand letter was mailed). Administrative charges are assessed to cover expenses incurred in the recovery of the delinquent debts. The cost of sending an initial demand letter would not be included when calculating administrative charges because that expense is incurred whether or not the debt becomes delinquent. In contrast, costs associated with the calculation of interest and referring the debt to the DMO are necessitated only because the debt is not paid when due and subsequently becomes delinquent. Therefore, costs associated with these actions are included in the calculation of administrative charges. Administrative charges must be based on actual costs or on an average based on actual costs. The costs may not arbitrarily be established. Additional administrative charges may be assessed, if needed (e.g., to collect the debt through payment offset procedures, or when referring the debt to the DMO).

180906. Waiver of Interest, Penalties, and Administrative Charges

Interest, penalties, and administrative charges may be waived on a case-by-case basis, e.g., when the DCO or other authorized official determines that collection of these charges would be against equity and good conscience or not in the best interest of the United States. See Volume 4, Chapter 3, Annex 1 for additional guidance.

1810 DEFERMENTS AND DISPUTES UNDER THE CONTRACT DISPUTES ACT

Under the Contract Disputes Act of 1978 (41 U.S.C. 601 through 613), a contractor may appeal a decision of indebtedness to the Armed Services Board of Contract Appeals (ASBCA) or through the United States court system. In accordance with the ***FAR, subpart 32.607***, the contractor may request, in writing, for deferment of debt payment until the appeal is decided. The contractor will submit the request for deferment to the contracting office. The contracting office will forward the request to the appropriate DoD Component's senior FM or designee within 3 working days from the date the request was received. The DoD Component's senior FM or designee will approve or deny the request and notify the contractor, contracting office, and the DMO of the decision. Collection of the debt shall continue until the date the deferment is granted. Refer to Volume 4, Chapter 3 for guidance on accounting for collections under the Contract Disputes Act of 1978.

1811 BANKRUPTCY

181101. General

Within DoD, contractor bankruptcy proof of claim filing functions have been consolidated at DFAS Office of General Counsel, Indianapolis, IN (DFAS-HGB). This consolidation does not include the assumption of the litigation function or the inclusion of individual bankruptcy cases. The litigation function remains with the responsible DoD Component. Bankruptcy litigation is accomplished by DOJ through the office of the responsible U.S. Attorney. Prescribed actions, as detailed in paragraphs 181101.A through 181105 of this chapter, shall be taken when the procurement contracting office or contract administrative office receives notice of bankruptcy from the contractor or from another source. See ***FAR, subpart 42.9***.

A. Bankruptcy cases generally are time sensitive. When a notice of bankruptcy is received, immediate action is required. Government monetary claims and other rights may be adversely and irrevocably affected if not timely asserted.

B. When either the procurement contracting office or the contract administrative office receives information that bankruptcy proceedings have been initiated, the receiving office shall immediately notify the Office of General Counsel, DFAS-HGB, Defense Finance and Accounting Service, 8899 East 56th Street, Indianapolis, IN 46249 and by email to cco-ogc@dfas.mil.

C. This notification shall occur regardless of whether any contracts have fully been performed, closed, or terminated. At the same time, the DoD Component shall notify any office designated within the cognizant department or agency to receive this information. This notification shall be made regardless of whether it appears that the notice has been received late. The notification shall be made within 3 workdays of the receipt of the notice of bankruptcy. Following are the cognizant General Counsel offices and their addresses where bankruptcy notices should be sent:

1. Defense Logistics Agency
Office of General Counsel, ATTN: DG
8725 John J. Kingman Road, Suite 2533
Fort Belvoir, VA 22060-6221

2. Assistant General Counsel (Litigation), Department of the Navy
Office of the General Counsel
720 Kennon Street SE Room 233
Washington Navy Yard, DC 20374-5013

3. Air Force Legal Operations Agency
Commercial Litigation Division (AFLOA/JACN)
1501 Wilson Boulevard, Room 606
Arlington, VA 22209-2403

4. U.S. Army Litigation Center
901 North Stuart Street, Suite 400
Arlington, VA 22203-1837.

5. Defense Contract Management Agency
Office of General Counsel (DCMA-GC)
Metro Park
6350 Walker Lane, Suite 300
Alexandria, VA 22310-3241

D. At a minimum, the notification shall include:

1. The name of the contractor.

2. The court in which the bankruptcy petition has been filed.

3. The date of the filing of the bankruptcy petition.

4. The bankruptcy court docket number (if available).

181102. 15-Day Report

The contracting office may receive a notice of bankruptcy from the debtor or DFAS-HGB. When the contracting office receives notification of a bankruptcy, that office shall prepare and send a message to DFAS-HGB, the DoD Component's legal office noted in paragraph 181101.C of this chapter and any other office designated within DoD to receive the report. The report shall be sent no later than 15 days after receipt of the notice of bankruptcy. If some of this information is not available, then the report shall be sent reflecting all available information. To the extent possible, the report shall include the following information:

A. The name of the contractor.

B. A list of the contracts involved.

C. The amount of any potential claim against the contractor. Often, the amount of a potential claim will be an estimate. The contracting officer shall attempt to accurately calculate the amount of the debt with an understanding that filing of the proof of claim is time sensitive and shall attach a short explanation of how the debt arose. Documentation evidencing the existence of the debt also shall be attached whenever possible.

D. Any property, and its location, in the possession of the contractor in which DoD claims an interest; e.g., government property made available to the contractor, such as government furnished equipment or government furnished property. See Volume 4, Chapter 4 for additional information on unused government furnished equipment or property.

E. Any claims the debtor may have asserted or presented to DoD.

F. The bankruptcy court docket number of the proceeding, and the court in which the bankruptcy is pending.

G. Available information concerning the deadline for submitting documents to the Bankruptcy Court, asserting the government's claims against the debtor.

181103. Proof of Claim

Upon receipt of a notice from a contracting officer, DFAS-HGB shall prepare a consolidated proof of claim on behalf of DoD. DFAS-HGB shall file the proof of claim with the appropriate court unless the responsible U.S. Attorney directs otherwise. DFAS-HGB shall send a copy of the proof of claim to each DoD Component that submitted a claim. DoD or agency copies of the proof of claim shall be sent to the responsible offices designated in paragraph 181101.C of this chapter. The proof of claim shall identify DFAS-HGB as the office designated to receive further notices and any funds received pursuant to the proceedings.

181104. Actions Against Contractor

The filing of a bankruptcy petition has a major impact on business relationships with the contractor who has filed for bankruptcy protection. Many otherwise appropriate actions cannot be taken against a bankrupt contractor, and actions that may be legally taken against a contractor may have adverse consequences for DoD. The activity's legal office should be informed before any action is taken with regard to a contractor who has filed for bankruptcy.

181105. Bankruptcy Notification From Contractor

In accordance with the contract clause provisions contained in ***FAR subpart 52.242-13***, should the contractor enter into proceedings relating to bankruptcy, whether voluntary or involuntary, the contractor agrees to furnish, by certified mail, or electronic commerce method

authorized by the contract, written notification of the bankruptcy to the contracting officer responsible for administering the contract. This notification shall be furnished within 5 days of the initiation of the proceedings relating to bankruptcy filing. This notification shall include the following:

A. The date on which the bankruptcy petition was filed.

B. The identity of the court in which the bankruptcy petition was filed.

C. A listing of government contract numbers and contracting offices for all government contracts with this contractor against which final payment has not been made.

181106. Notification to Office of General Counsel

The FAR, subpart 52.242-13 clause states that this obligation remains in effect until final payment under the contract(s) is made. In addition, when this clause is used, the contracting officer will provide a copy of the notification from the contractor to the Office of General Counsel, DFAS-HGB, Defense Finance and Accounting Service, 8899 East 56th Street, Indianapolis, IN 46249 and by email to cco-ogc@dfas.mil.

1812 REFUNDING PREVIOUSLY COLLECTED DEBTS AND LATE PAYMENT CHARGES

181201. Scope

This section does not pertain to refunds authorized under the Contract Disputes Act. See Volume 4, Chapter 3, paragraphs 030801 - 030802.

181202. General

Occasionally, because of post-collection clarification regarding a debt, monies collected for penalties, administrative charges, interest, and collection fees shall be authorized for refund to the debtor by the DoD Component or DCO. Such refunds occur for a variety of reasons, but generally are based on a determination that the debt is invalid or should have been forgiven under applicable law or regulation. When making a refund payment, the DoD Component or DCO shall prepare an ***SF 1034*** (Public Voucher for Purchases or Services Other Than Personal), or other approved voucher and submit it for payment, along with documentation from the debtor or other source(s) that establishes the former debtor's claim against the government. The DoD Component or DCO shall retain a copy of the voucher and supporting documentation in the debtor's case file.

181203. Determination of Refund Amount

The amount collected from the debtor that is subject to refund usually includes penalties, administrative charges, and interest computed on the principal amount of the debt. Additional fees will have to be considered for inclusion in the refund if the debt was collected by the

Department of the Treasury and/or a commercial collection agency. A debt refund might be applied against a part, or to the entire amount, of the debt.

181204. Funding the Refund

A. The refund of the amounts collected for debt principal amount, interest, penalty, and administrative charges should be charged to the appropriation or account that was credited with the collection. Any amount to be refunded that was credited to an appropriation or account that subsequently has been closed, shall be charged to the current fiscal year for an appropriation or account as allowed by ***31 U.S.C. 1553(b)***, except when ***10 U.S.C. 2410m*** allows the closed account to be directly cited. For example, if the original debt principal was collected into an operation and maintenance appropriation, the associated interest and administrative charges were collected into 3210 (General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified) and the penalty was collected in 1099 (Fines, Penalties, and Forfeitures, Not Otherwise Classified), then the refund will be charged to these same accounts for the amounts originally collected.

B. The refund to the debtor for fees assessed and retained by the Department of the Treasury or private collection agencies, shall be charged to the DoD Component's appropriation or account used to finance day-to-day operations.

VOLUME 10, CHAPTER 19: "PAYMENT PROVISIONS FOR GRANTS AND OTHER INSTRUMENTS OF ASSISTANCE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated March 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
190103	Added policy for Central Contractor Registration.	Add
1905	Added a section for reporting requirements.	Add
190601	Added clarity for recording and reporting receivables.	Add
190601.B	Clarified language for debt collection responsibilities between grants office and the payment office.	Add

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CHAPTER 19

PAYMENT PROVISIONS FOR GRANTS AND OTHER INSTRUMENTS OF ASSISTANCE

*1901 OVERVIEW

This chapter provides the necessary guidance to ensure that payments are made and recorded properly for expenditures of funds under Department of Defense (DoD) grants, cooperative agreements, and other instruments of assistance not covered in other chapters or volumes. Guidance also is included for cash management, reporting and debt collections associated with those instruments. The ***DoD Directive 3210.6-R "Department of Defense Grant and Agreement Regulations"*** (DoDGAR) Part 22, Subpart B, 22.205 describes statutory criteria that distinguish grants and cooperative agreements from procurement contracts. These criteria are codified at ***Title 31 United States Code (USC), Chapter 63***. The ***Office of Management and Budget (OMB) Circular A-102*** establishes consistency and uniformity among Federal agencies in the management of grants and cooperative agreements.

190101 Administering Office

The office that issues the grant or other type of instrument of assistance distributes a copy of the award to the office designated to administer the grant or cooperative agreement. Modifications made by the awarding or administering office also will be promptly distributed to the Defense Finance and Accounting Service (DFAS) office designated to make the payments to the recipient.

190102 Designated Payment Office

The award designates the specific payment office which will make payment. The payment office verifies propriety, adequacy, and completeness of documentation to substantiate amounts to be paid by the DoD. The payment office's copy supports the payment and is attached to the retained copy in the payment file or document. Close working relations between all involved offices are necessary for timely and accurate handling of financial transactions in issuing and paying the assistance instruments.

190103 Electronic Payment Process

Electronic Commerce (EC) is the preferred method to process payment requests and related actions. The EC guidance contained in Volume 10, Chapter 17 also is applicable to payment actions in this chapter. Payment by Electronic Funds Transfers (EFT) is a requirement of ***Title 31 Code of Federal Regulations (CFR), Part 208.3***. ***2 CFR Part 25.200*** requires the recipient to maintain current information about itself in the ***Central Contractor Registration (CCR)***.

1902 POLICY

190201 Regulatory Guidance

The DoDGAR provides the regulatory framework for the overall management of functions related to grants and cooperative agreements. The DoDGAR is codified at ***32 CFR Part 21-37***.

190202 Accounting Guidance

Volume 12, Chapter 5 contains the accounting guidance to be followed by DoD Components for grants and cooperative agreements.

190203 Disbursing Guidance

Volume 5 contains additional disbursing guidance.

190204 Cash Management

The ***Cash Management Improvement Act (CMIA)***, implemented by ***31 CFR Part 205***, sets rules, including interest liabilities and procedures for the transfer of funds between Federal agencies and the states for financing Federal Assistance Programs.

1903 QUALITY AND INTERNAL CONTROLS

190301 Internal Controls-Grant Awards

Quality and Internal Controls are necessary to ensure grant funds are being used for the purpose awarded and expended within the constraints reflected in the grant.

190302 Single Audit Act

OMB Circular A-123 Appendix A, "Management's Responsibility for Internal Control" states that statutory requirements should also be considered as part of an agency's internal control framework which include the Single Audit Act (***31 USC 7501-07***). The Single Audit Act requires financial statement audits of non-Federal entities that receive or administer grant awards of Federal monies. The financial statement audits include testing the effectiveness of internal controls, and determining whether the award monies have been spent in compliance with laws and regulations. Each Federal agency that provides Federal awards will review the audits of the recipients to determine whether corrective actions are implemented with respect to audit findings. For additional information, see the Single Audit Act information prescribed in ***OMB Circular A-133*** and ***DoD Directive 7600.10, "Audits of States, Local Governments and Non-Profit Organizations."***

1904 PAYMENT REQUEST

190401 Advance or Reimbursement Requests

For non-construction program agreements with states, local governments, universities, and other non-profits, DoD 3210.6-R requires requests for advance payments or reimbursements to be made on ***Standard Form (SF) 270, Request for Advance or Reimbursement***. Other forms may be used if authorized by OMB. For construction programs, each Federal awarding agency will use the ***SF 271, Outlay Report and Request for Reimbursement for Construction Program***, as the standard form; however, a Federal awarding agency may substitute the SF-270 when the Federal awarding agency determines that it provides adequate information to meet Federal needs.

190402 Commercial Recipients

For payments to commercial recipients, DoD Components may authorize recipients to use SF 270 or SF 271, or prescribe other forms as necessary.

190403 Types of Payments Information

See Volume 12, Chapter 5 for information concerning payment types.

190404 Voucher Submission

The entitlement office will certify and submit the voucher for payment as soon as practicable in accordance with the following guidelines:

A. No more than 7 days after receipt of the recipient's request at the administering office whenever electronic commerce is used, e.g., Electronic Data Interchange (EDI) to request the payment and EFT to make the payment;

B. No more than 30 days after receipt of the recipient's request at the administering office when it is not possible to use electronic commerce; and

C. No more than 7 days after each date specified when payments are authorized in advance based on a predetermined payment schedule provided the payment schedule was received in the payment office at least 30 days in advance.

*1905 REPORTING REQUIREMENTS

190501 Reporting Forms

The ***SF 425, Federal Financial Report***, and ***SF 425a, Federal Financial Report Attachment***, will be used for financial reporting for grants and cooperative agreements prescribed by ***OMB***.

190502 Sub-Awards Reporting

Reporting for the recipient's sub-award and executive compensation requirements are prescribed by ***2 CFR Part 170.200(b)***. Grant offices awarding terms and conditions should include instructions for recipients' submissions.

*1906 DEBT COLLECTION FOR GRANTS AND COOPERATIVE AGREEMENTS

190601 Collection Procedures

Any funds paid to a recipient in excess of the amount to which the recipient is entitled constitutes a debt to the DoD. The Accounts Receivable Office (ARO) is the office responsible for recording and reporting receivables and can also be the office responsible for debt collection. In most, but not all, cases the ARO is located at a DFAS site.

A. Primary responsibility for collecting the debt rests initially with the grant office, and then with the payment office.

B. When the grants office has exhausted all its available avenues to collect the debt, but it remains unresolved, the grants office will forward all related demand information to the appropriate payment office. The payment office will follow collection procedures in Chapter 18, unless the DoDGAR, or the applicable grant or cooperative agreement, explicitly prescribes a different procedure.

C. Grants offices will obtain each grant recipient's Taxpayer Identification Number (TIN) and notify the recipient that the TIN is being obtained for the purpose of collecting and reporting on any delinquent amounts that may arise out of the recipient's relationship with the Federal Government.

D. Upon receipt of the debt package from the grants officer, the Debt Management Office (DMO) will pursue collection of the debt.

190602 Offset Procedures

In accordance with the provisions of ***OMB Circular A-129, "Policies for Federal Credit Programs and Non-Tax Receivables,"*** an administrative offset may be used to collect delinquent debts owed by a recipient. If an administrative offset is taken, then the payment office will follow the due process as provided in ***31 CFR 901.2, "Demand for Payment,"*** and ***31 CFR 901.3, "Collection by Administrative Offset,"*** where the statute and regulations are applicable. Use of an administrative offset is not required in every instance in which there is an available source of funds. Either the payment office or the accounting office will make the determination on a case-by-case basis in conjunction with the grants officer responsible for the award against which the offset will be applied. The following are examples of when an offset will not be taken:

A. Recovery of debt by an administrative offset will not be taken when the grants officer determines that the offset will substantially interfere with, or defeat the purpose of, the program for which the offset is contemplated.

B. Grants and cooperative agreements paid in advance generally are not subject to offset. If deemed to be in the best interest of the government, then the payment office may request the issuing grant officer to convert the agreement to a reimbursable method of payment which would enable the use of an administrative offset.

190603 Collection Office

The office responsible for collecting the debt will apply interest, penalty, and administrative costs to delinquent debts according to guidance contained in Volume 4, Chapter 3, Annex 1. See Volume 5, Chapter 28 for additional information.

190604 Uncollectable Debts

Any debt that is determined uncollectible will be written off in accordance with Volume 4, Chapter 3 and Volume 5, Chapter 28.

VOLUME 10, CHAPTER 20: "CONTRACT RECONCILIATION"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Editorial changes for clarity.	Revision

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CHAPTER 20

CONTRACT RECONCILIATION

2001 GENERAL

200101. Purpose

This chapter prescribes overall policy for contract reconciliation and the requirements necessary to maintain complete, consistent and accurate data for contract files and related entitlement and accounting records. It defines the Department of Defense (DoD) Components' roles and responsibilities for efficiently identifying differences, conducting research, performing reconciliations, approving recommended adjustments, processing corrections timely, and maintaining appropriate supporting records.

200102. Scope

The maintenance of complete and accurate contract files and related entitlement and accounting records is necessary to reduce the potential for Anti-Deficiency Act violations, minimizes the amount of unliquidated obligations and minimizes the number and dollar value of problem disbursements. Accounting and entitlement office contract files will include the information specified in the ***Federal Acquisition Regulation (FAR) 4.803(c)***. The use of accounting classification reference numbers (ACRNs) are described in the ***Defense Federal Acquisition Regulation Supplement (DFARS) 204.7101, 204.7103-1 and 204.7107*** and ***DFARS Procedures Guidance Information (PGI) 204.7107***. Disbursements will be authorized, classified, processed, and promptly posted and reported, as discussed in Volume 5, Chapter 11.

200103. Internal Controls

Internal Controls will be incorporated into the operations of all stakeholders to maintain complete, consistent, and accurate data for contract files and related entitlement and accounting records throughout the life of the contract.

2002 RESPONSIBILITIES

200201. Responsible Contract Reconciliation Agent (RCRA)

RCRAs manage the daily operations of contract reconciliation and are responsible for the completion of all contract reconciliations. The RCRA is responsible for reviewing the reconciliation request, determining the appropriate level of effort, setting the priority, coordinating assistance, accepting or rejecting reconciliation results, approving accepted adjustments, confirming that adjustments are posted, and ensuring that refunds or demands for payment are initiated. Instructions and guidance on the RCRA's role in contract reconciliation, as well as RCRA qualifications criteria, are contained in the ***RCRA Guide***.

200202. Director, Defense Finance and Accounting Service (DFAS)

The Director, DFAS, is the principal DoD executive for the finance and accounting requirements and procedures as prescribed by ***DoD Directive 5118.5***. The Director, DFAS has the following responsibilities as outlined below:

A. Assist with providing specific instructions and computer-based tools necessary to identify, analyze, reconcile, track, and correct differences among written contracts, entitlement, disbursement, and related accounting systems. The instructions will include criteria for determining the nature and scope of required analyses.

B. Provide entitlement and accounting system information to individuals participating in negotiating settlements.

C. Train and maintain a core group of individuals who meet the qualification requirements to perform responsibilities prescribed by the RCRA Guide (to include RCRAs, reconcilers and assistants). The RCRAs will be responsible to oversee and perform reconciliations.

D. Designate qualified DFAS personnel to be trained as part of the core group and assign RCRA personnel to oversee and perform contract reconciliations.

E. Ensure that the Systems Support Office-DFAS Columbus will provide support to the RCRAs and maintain the Standard Contract Reconciliation Tool (SCRT), which is a single DoD-wide database that contains a listing of RCRAs, core group members and contracts being reconciled. SCRT users will receive technical and maintenance support from the Helpdesk at ***cco-systems-support-helpdesk@dfas.mil***.

200203. Enterprise Resource Planning (ERP) Systems

Heads of DoD Components utilizing ERP systems will assume responsibilities to provide data for the support and coordination of contract reconciliation functions performed under the direction of DFAS. The roles and responsibilities of DFAS and the ERP Components may change when SCRT has the capability to interface with ERPs.

200204. Reconciliation Partners

All RCRA reconciliation partners (procuring contracting officers (PCO), administrative contracting officers (ACO), resource managers, and program managers) will perform their respective or combined duties as it relates to the following:

A. Participate in contract reviews and reconciliations and assist in the identification and resolution of differences between written contracts and entitlement, disbursement, and accounting systems.

B. Compare the accounting classification citations in section G, "Contract Administration Data," of the contract with data in the entitlement and accounting systems. When discrepancies occur, the appropriate entitlement and accounting office will be notified of any significant difference(s), and the appropriate office will provide required supporting documentation.

C. Respond in a timely manner to reasonable requests for action, information, and/or documentation on a contract or modification.

D. Modify the contract to correct any disclosed discrepancies in accordance with ***FAR Part 43***.

E. Designate personnel to be trained as part of the core group of individuals from the DoD Components who oversee and perform contract reconciliations.

2003 CONTRACT RECONCILIATION

200301. Reconciliation Referrals

Normally, at the end of the contract the total of funds obligated should match the total payments made to the contractor. Cost underruns, mistakes in payments, unearned incentives, or withheld fees may be some of the causes that can result in unliquidated obligations at the completion of the contract. When remaining or excess funds balances exist that cannot be explained, reconciliation is required to compare all source documents with the entitlement and accounting systems. Mechanization of Contract Administration Services (MOCAS) contracts will be forwarded to DFAS Columbus to perform reconciliations. Non-MOCAS contract reconciliations will be performed by the designated entitlement office administering payments for those contracts. See the RCRA Guide for reconciliation request information.

200302. Discrepancy Identification

When a discrepancy between contract payments and accounting records is identified, a preliminary contract review will be performed by the appropriate RCRA or designated entitlement office to determine what corrective action is needed. Recommended adjustments will be reviewed and approved by qualified personnel before distribution to the appropriate location(s) for processing. Approved adjustments will be posted in a timely manner. Reconciled records will be identified by registration in the SCRT. Any subsequent adjustment of reconciled records will be based on a reconciliation registration (see subparagraph 200305). All actions of contract reconciliation will support the timely completion of funds review, deobligation of excess funds, and contract closeout procedures found in ***FAR 4.804-5***. The related requirements for researching and correcting negative unliquidated obligations, unmatched disbursements, disbursements in suspense accounts, and disbursements in-transit are covered in Volume 3, Chapter 11.

200303. Conditions for Contract Reconciliation

The following circumstances may indicate discrepant conditions that require preliminary contract review or contract reconciliation:

A. Incomplete contract, payment, or accounting information,

B. Insufficient funds,

C. Progress payment balances,

D. Possible overpayments,

E. Unmatched disbursements, or

F. Negative unliquidated obligations.

200304. Prioritization Concerns

DoD Components will prioritize the analyses of discrepant conditions in view of applicable time limitations and other circumstances. High priority conditions include those that involve congressional or senior DoD management interest, prevalidation problems, insufficient funds for payment, potential ***Anti-Deficiency Act*** violations, suspected or identified overpayments, transactions with the highest dollar value, or cancelling/closing year appropriations.

200305. Registration in the Standard Contract Reconciliation Tool

Each contract nominated for reconciliation must be registered in the SCRT database of contracts being reconciled. By registering a formal reconciliation request into the DoD contract reconciliation system, the opportunity for duplicated efforts by other DoD Components is greatly reduced or eliminated. Resources, procedural guidance, forms, and other reconciliation tools used to obtain vital information for the contract reconciliation registration process can be obtained from DFAS Columbus Accounts Payable Acquisition Contract Reconciliation Branch at ***CCO-Reconciliation-MailLog@DFAS.Mil***. For more information on reconciliation tools used in the contract reconciliation process, refer to section 2004.

200306. Required Actions

The individual assigned to perform contract reconciliation, whether a government employee or contractor, will compare databases, research differences, identify root cause(s), and recommend adjustment(s) needed to correct differences among contract, entitlement and accounting records. Differences among systems will be researched to determine whether errors exist, where they exist, and the extent of such errors, as well as the required corrective actions. Every effort should be made to complete contract reconciliations within 90 days.

A. Contract reconciliations should include, as applicable, a review and analysis of:

1. The basic contract, including any modifications, and all obligation actions in all systems. This includes contract writing system records if an automated contract writing system was used to prepare the contract.

2. Applicable payment vouchers.

3. Contract payment system records.

4. Official accounting system(s) records for all funds on the contract.

5. Adjustments, including any collection actions or expenditure transactions, to the contract payment or accounting system(s) records that have been processed.

B. Differences that require adjustment generally are identified as:

1. Contractual documents that require correction by the ACO or PCO.

2. Obligation posting documents (omissions or corrections) that require initiation or correction by the responsible funds holder or responsible accounting office.

C. If the accounting system records (internal adjustments) require correction and the entitlement records are correct, then a correction is required for the accounting system records to balance with the corresponding entitlement system.

D. If entitlement office system payment records require a correction and the accounting system records are correct, then a correction is required for the entitlement office payment records to balance with the corresponding accounting system.

E. If entitlement office system payment records (external adjustments) affect the accounting system records, then corrections are required by the responsible entitlement office. Entitlement office corrections must flow to the corresponding accounting system.

200307. Documentation and Review

Documents accumulated in compliance with the procedures in this chapter will be retained, made available for, and be subject to internal review and audit.

A. The DoD Component responsible for the review and acceptance of the recommended adjustments will retain adequate documentation to support any adjustment that is processed. Each completed adjustment file will include the preparer's identity, approval, and confirmation of the posting of the adjustment.

B. The retention of adjustment files by the DoD Component will be in

accordance with the financial record retention requirements in Volume 1, Chapter 9 and Foreign Military Sales retention requirements are in Volume 15, Chapter 6.

2004 RECONCILIATION TOOLS

200401. Computer-Based Comparison Tools

The reconciliation process normally begins with a comparison among systems to identify whether there are any discrepancies. Several computer-based tools, described in the RCRA Guide, are available for use with the existing entitlement, disbursement, and accounting systems to facilitate the comparison process. Functionality and system compatibility vary from tool to tool.

200402. Standard Contract Reconciliation Tool

The most recent and comprehensive computer-based tool is the SCRT. The SCRT is the single DoD-wide registration database for contracts being reconciled. In cases where SCRT is not compatible with an accounting system, other existing tools may be used to identify discrepant conditions and aid in their resolution. Further details on SCRT capabilities and instructions for system access and use can be found in the comprehensive DFAS guide, ***"User Manual for the Standard Contract Reconciliation Tool"***.

2005 UNRECONCILABLE CONTRACTS

200501. Unreconcilable

A contract is unreconcilable when it has been determined by the designated RCRA, that either:

A. Existing documentation is insufficient to complete the reconciliation and additional documentation is unavailable, or

B. Any benefits to be gained by reconciliation of the contract would be exceeded by the cost of reconciliation. Factors to be considered in this analysis would include the probable size of any debt that might be identified, the probability of being able to prove an identified debt with evidence, the probability of collecting any identified debt, the effect of these accounting records on current operations, the probability of uncovering a potential Anti-Deficiency Act violation, and the probability of meaningful mitigation of any identified potential Anti-Deficiency Act violation.

200502. Insufficient Documentation

Occasionally, existing documentation is insufficient to complete the reconciliation of a contract. In performing a good faith effort to reconcile the contract, the RCRA and designated reconcilers will initiate the Request and Inspection of Documents process to obtain available documents and take all necessary actions to complete the reconciliation. When early detection of

missing documentation seems to prevent the completion of the reconciliation, the RCRA and reconcilers will continue to reconcile the contract to the extent possible.

A. Requirements for Searching Documents. The RCRA and designated reconcilers will perform an extensive and comprehensive search to find missing documentation. Results of the searches, including evidence of missing documentation (e.g., returned file requests and screen prints showing file not found), will be documented for each missing document.

1. The RCRA and reconcilers will search all available hard copy and electronic files for the missing documents. At a minimum, the search will include the Electronic Document Access (EDA) system, the Electronic Document Management (EDM) system, hard copy files, microfiche, archives, and RCRA records. The result of the searches will be documented and certified by the RCRA.

2. If documents are still missing, then records of other agencies, departments, and the contractor will be canvassed. The RCRA will send out a written request asking for assistance in locating the missing documents. This request will be sent simultaneously to:

a. The ACO. In addition to searching the ACO files, the ACO will contact the Contractor for copies of the missing documents.

b. The PCO. In addition to searching the PCO files, the PCO will contact the appropriate Program Management Office for copies of the missing documents.

c. The Resource Manager.

d. The Accounting Station.

e. Records Holding Area.

f. The designated contract reconciliation office.

3. The request will state which electronic and hard copy files have already been searched by the RCRA and the other agencies and departments also being asked to search for documents. The recipient is to search all available electronic, hard copy, and archived files not already searched by the RCRA. The recipient will respond to this request within 30 days by providing copies of found documents and stating which electronic and hard copy files were searched. If any party has not responded after 30 days, the RCRA will send the request to the closeout representative of the Component along with a copy of the request provided to the designated contract reconciliation office. Because of the age of some contracts and the significant reorganizations and base closures that have occurred within DoD, it may take some time for the Component's representative to determine the successor organization. The military service representative will respond to the RCRA within 30 days.

B. Unreconcilable Package Requirements. After exhaustive searches of all available sources for documentation have been completed and missing documentation still

prevents the completion of the reconciliation, the RCRA or reconciler will assemble a package that documents all efforts made to obtain the missing documentation. At a minimum, this package must contain:

1. A list of all missing documents,

2. Reasons why each document is required for reconciliation,

3. A list of hardcopy and electronic files searched and the results of the searches,

4. Results of requests for locating missing documentation from other departments and agencies, and

5. A statement that the contract was accurately reconciled to the extent possible with available documentation.

200503. Costs to Reconcile Exceed Benefits to be Obtained Through the Reconciliation Process

A contract may be deemed "unreconcilable" if the costs to reconcile exceed the benefits to be gained by reconciliation pursuant to paragraph 200501.B. The reconciler must prepare a package justifying the determination that the contract is unreconcilable. The package, at a minimum, must contain:

A. A business case that documents why the costs to reconcile are expected to exceed any benefits that might result. This documentation will include an estimate of the hours and costs required to complete the reconciliation, as well as the contract dollars involved. Available contract reconciliation operational data will be used to support the estimate.

B. Evidence of previous efforts to reconcile the contract and discuss the scope and extent of those reconciliation efforts.

C. A rationale statement for not pursuing any missing documentation.

D. A statement that the contract was accurately reconciled to the extent possible, but the cost of further reconciliation efforts will exceed any benefit that may result.

200504. Unreconcilable Conditions

All of the conditions in this section must be present before the contract can be determined "unreconcilable". The appropriate contracting officer must document the following:

A. The contract is physically complete as defined by ***FAR 4.804-4***.

B. All known acceptance documents were obtained and entered into the entitlement system.

C. The entitlement system is annotated to indicate the availability of appropriate contracting officer's receipt and acceptance or Contractor's proof of shipment certification statements to support reconciliation when the original documents are missing. This condition applies only to contracts deemed unreconcilable due to insufficient documentation.

D. All known invoices/vouchers have been paid.

E. Unliquidated amounts do not remain on the entitlement system withhold lines.

F. Unliquidated amounts do not remain on the entitlement Work In Progress (WIP) finance line unless the contract is at DFAS for WIP reconciliation.

G. All contract debt or related disputes are resolved.

H. Any known remaining funds are annotated in the entitlement and accounting system records.

200505. Certifying a Contract as Unreconcilable

The unreconcilable package will be sent to the appropriate office for certification:

A. If the RCRA agrees that the contract is unreconcilable, then the RCRA will certify the package contains all of the required information and send it to the appropriate Director of Accounts Payable (MOCAS or Non-MOCAS contracts). The Director of Accounts Payable will review the package and certify the contract as unreconcilable. If the RCRA or the Director of Accounts Payable does not agree that the contract is unreconcilable, the RCRA will return the package to the initiator stating the reason(s) for nonconcurrence. The primary reconciler may require assistance from other reconcilers or RCRAs throughout the network to obtain information required to address the reason(s) for nonconcurrence (e.g., due to incompleteness, missing documentation, unsupported adjustments or inaccurate reconciliation).

B. The Director of Accounts Payable for other DoD Components who retain administration of their contracts will certify their contracts as unreconcilable if the conditions in 200504 and the Component policies are met. Applicable Component policies will be followed when the Component reconciliation agent does not agree that the contract is unreconcilable.

200506. Resolution of Unreconcilable Contracts

When a contract is unreconcilable, a statement will be submitted to DFAS or applicable Component confirming conditions cited under paragraph 200504 of this chapter have been documented and provided to the appropriate RCRA.

A. The appropriate Director of Accounts Payable office, in conjunction with the RCRA, will prepare a recommendation for resolving discrepancies in the entitlement and/or accounting records and forward to appropriate financial managers for concurrence.

B. If an agreement cannot be reached, the RCRA will recommend that the entitlement records be placed in an inactive status after concurrence with all appropriate DoD financial managers. No further attempts will be made to post, reconcile, adjust or correct the entitlement and accounting records. Documents will reside in a paperless repository which can be viewed by DFAS, DCMA and other authorized DoD Components. DFAS or the appropriate DoD Components will retain records in the entitlement system in accordance with Volume 5, Chapter 21.

VOLUME 10, CHAPTER 21: "JUNIOR RESERVE OFFICER TRAINING CORPS (JROTC) INSTRUCTOR PAY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated July 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
210202.G	Expanded the definition for Basic Allowance for Subsistence (BAS).	Add
210205	Expanded the definition for Gross Retired Pay to describe the term Retainer Pay, which is unique to Navy and Marine Corps retirees.	Add
211102.B	Updated the debt collection language with regards to referring delinquent debts to the Treasury.	Update

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CHAPTER 21

JUNIOR RESERVE OFFICER TRAINING CORPS (JROTC) INSTRUCTOR PAY

2101 OVERVIEW

210101. Purpose

This chapter prescribes the general policies applicable to the operation and administration of JROTC Instructor Pay worldwide at both public and private schools.

210102. Scope

This chapter applies to all Military Services. The term "Military Services" refers to the Army, Navy, Air Force, and Marine Corps.

210103. Policy

DoD Instruction 1205.13, "Junior Reserve Officers' Training Corps (JROTC) Program", dated February 6, 2006.

2102 DEFINITIONS

210201. Academic Year

An academic year is the period of time necessary to complete one JROTC course, normally consisting of not less than 7,200 minutes of instruction.

*210202. Active Duty Pay and Allowances

For calculating JROTC instructor pay, active duty pay and allowances are limited to:

A. Basic Pay. Basic pay is the pay of an officer or an enlisted member according to grade and longevity before additional amounts for quarters, subsistence, and overseas duty. See Volume 7A, Chapter 1 for computing creditable service at the time of retirement.

B. Basic Allowance for Housing (BAH). The rate of entitlement is based on the instructor's current dependent status and permanent duty station zip code. The permanent duty station for an instructor is the employing school. Dependency determination requirements are the same as when the instructor was on active duty.

C. Continental United States (CONUS) Cost Of Living Allowance (COLA). CONUS COLA is designed to serve as a temporary reimbursement for instructors employed in high cost areas in CONUS to partially offset additional expenses incurred. The rate of

entitlement is based on the instructor's grade, dependent status, and the zip code of the employing school.

D. Overseas COLA. The overseas COLA is designed to assist instructors employed at schools Outside the Continental United States (OCONUS). The rate of entitlement is based on the instructor's grade, number of dependents claimed, and the Joint Federal Travel Regulation (JFTR) location code applicable to the employing school located overseas.

E. Overseas Housing Allowance (OHA). OHA is payable to instructors working at schools located overseas to assist in defraying excess costs incurred incident to these locations. OHA is calculated by comparing the member's monthly rent to the prescribed locality rental allowance, selecting the lesser of the two, and then adding the appropriate utilities/recurring maintenance allowance.

F. Clothing Replacement Allowance (CRA). The entitlement to CRA is limited to enlisted instructors only and amounts depend on the branch of service and service member gender. The CRA is normally an annual entitlement based on 12 consecutive months of active duty. An applicable monthly rate will be used for instructors since their contracts are for a period of less than 12 months.

*G. Basic Allowance for Subsistence (BAS). This entitlement is payable to individuals officially allowed to eat their meals (for various reasons) outside a military dining facility. The monthly rate of entitlement is based on the instructor's pay status (enlisted or officer).

210203. Department of Defense Dependent Schools (DoDDS)

DoDDS are a network of schools, both primary and secondary, that serve dependents of the United States (U.S.) military and dependents of U.S. Government employees. The schools themselves are operated by the Department of Defense Education Activity (DoDEA).

210204. Domestic Dependent Elementary and Secondary Schools (DDESS)

A DDESS special arrangement is an agreement between the Secretary of Defense, or designee, and a local public education agency whereby a school or a school system operated by the local public education agency provides educational services to eligible dependent children of US military personnel and federally employed civilian personnel. Arrangements result in partial or total federal funding to the local public education agency for the educational services provided.

*210205. Gross Retired Pay (or Retainer Pay)

The gross retired pay or retainer pay is the entitlement that is computed under ***Title 10 United States Code (U.S.C.) Chapters 61***, ***71***, or ***1223***, whichever chapter is applicable to the member. For Navy and Marine Corps members retired with more than 20 years of service but less than 30, pay received following retirement is referred to as retainer pay until the member

reaches the 30 year mark. Pay received following the 30 year mark is then referred to as retired pay.

210206. High Schools

A high school is any public or private secondary educational institution other than those defined as "Military Junior Colleges" and "Military Institute Schools."

210207. Instructor Management Division (IMD)

The IMD is the office within a Military Service responsible for certifying instructors.

210208. JROTC Instructor Reimbursement Office (JIRO)

The JIRO is the office within a Military Service responsible for maintaining instructor accounts for reimbursement to a school or school district.

210209. JROTC Unit

A JROTC unit is an organized group of JROTC students and faculty members at one secondary school.

210210. Minimum Instructor Entitlement Calculation

The calculation of minimum instructor entitlement is the minimum active duty pay and allowances used in the computation of the reimbursement amount when all required documentation has not been received from an instructor as outlined in the prescribed pay computation forms. See section 2103. The following are included:

A. Basic Pay;

B. BAS;

C. BAH or OHA (at the "without dependent" rate);

D. COLA (OCONUS or CONUS COLA, when applicable, at the unaccompanied rate); and

E. CRA

210211. Minimum Instructor Pay (MIP)

The MIP is the minimum salary that a school or school system hosting a JROTC unit is required to pay an instructor for instructor duties in direct support of the JROTC program. MIP is the difference between the active duty pay and allowances the instructor would receive when recalled to active duty, and the instructor's retired pay entitlement.

2103 PRESCRIBED FORMS

210301. DD Form 2767

Department of Defense (DD) Form 2767, "JROTC Instructor Annual Certification of Pay and Data Form". Sections 210703, 210801, and 210802 discuss the use of this form.

210302. DD Form 2754

DD Form 2754, "JROTC Instructor Pay Certification Worksheet for Entitlement Computation". Sections 210704, 210705, and 210802 discuss the use of this form.

2104 REIMBURSEMENT RESPONSIBILITIES

210401. Program Reimbursement

The Military Services will reimburse each JROTC program school for JROTC instructor pay at the rate of one half the amount of the difference between the instructor's retired or retainer pay and the amount of active duty pay and allowances (excluding hazardous and special duty pays) the instructor would receive when ordered to active duty. Schools meeting specific criteria of need, if determined to be in the national interest by the appropriate Secretary of the Military Department (or designee), may receive additional instructor funds when either of the following applies:

A. On-site visits by representatives of JROTC headquarters elements determine the neighborhood in which the school is located has a substandard quality of life, with family incomes below the poverty level, and a high incidence of violent crime.

B. Additional criteria, as determined by the appropriate Secretary of the Military Department or designee concerned, whereby the school is in an educationally and economically deprived area to meet a compelling need of the community or national interest.

210402. Reimbursement Limitations

The school will pay each JROTC instructor the active duty pay and allowances an instructor would receive when recalled to active duty, less the retired or retainer pay the instructor is currently receiving. This minimum is not a cap or limit on the amount of pay that may be agreed upon between the instructor and the employing school. The school may pay more than the minimum amount but, by doing so, does not become entitled to additional reimbursement from the cognizant Military Service. Refer to section 210401.A and B concerning additional funds based on need.

2105 REIMBURSEMENT REQUIREMENTS AND PROCESS

210501. Requirements for Authorizing Reimbursement

The JIRO authorizes reimbursement only for those instructors:

A. Who are certified as qualified instructors by the cognizant Military Service;

B. For whom an obligation has been authorized by the Military Service; and

C. Who are filling positions authorized by the Military Service.

210502. JROTC Units in DoDDS and DDESS Schools

A. DoDDS JROTC instructors will be employed under provisions of ***20 U.S.C. 901-907***.

B. DDESS JROTC instructors will be employed under provisions of ***10 U.S.C. 2164***.

C. Pay and allowances for both DoDDS and DDESS JROTC instructors will be in accordance with ***10 U.S.C. 2031***.

D. All other requirements contained in this chapter for the reimbursement of schools will be followed for DoDDS and DDESS schools.

210503. School Reimbursement Process

A. The amount of the net contribution generally is equal to 50 percent of an instructor's MIP. The Secretary of the Military Department concerned may pay to the school more than 50 percent of the amount paid to the member by the school if the specific criteria of need in 210401.A and B are met. See ***10 U.S.C. 2031(e)(2)***.

B. The military pay system is used to process and compute JROTC instructor pay entitlements.

C. Monthly statements are mailed to the instructor at either the school or home address.

D. An electronic funds transfer (EFT) for the net contribution is sent to the financial institution designated by the school district. DoDDS and DDESS schools are reimbursed based on the DFAS calculation and JIRO approval by funds transfer via the Intra-governmental Payment and Collection (IPAC) system.

E. District level reports will be mailed to each school district office.

F. Distribution of EFT and statements are made no later than the tenth day of the month following the pay month.

G. Instructor pay inquiries must be addressed to each Military Service JIRO.

2106 JROTC UNIT ESTABLISHMENT AT SCHOOLS

210601. School Verification

An authenticated copy of the countersigned contract between a school and the Military Service must be provided to the JIRO in order to verify that schools receiving payment are active participants in the JROTC program.

210602. Addresses

Authorized officials occupying the positions stated on the contract between a school and the Military Service are responsible for supplying the current address for payment of the reimbursement. The current address of the school employing each instructor must be included.

2107 JROTC INSTRUCTOR REIMBURSEMENT OFFICE (JIRO)

210701. JIRO Reimbursement Requirements

The school is the employing organization and pays the full amount due the JROTC instructor. This amount is not less than the MIP referenced in paragraph 210211. Each JROTC instructor negotiates his or her own contract with the school. The Military Service JIRO will reimburse the school for up to 12 months per academic year, but only for the period of time the instructor is under a valid contract and is receiving a salary equal to, or greater than, the MIP.

210702. Duties Outside of JROTC Program

Schools may contract separately with JROTC instructors for any additional duties beyond instruction, operation, and administration of the JROTC program. These additional duties must be performed outside the scope of JROTC duties and hours at no cost to the Military Service. This requirement does not prevent JROTC instructors from serving on routine committees, or performing curricular or extracurricular duties normally performed by, and rotated among, other faculty members. See paragraph 210402.

210703. JIRO Reimbursement Process

Each school will forward to the JIRO a copy of the DD 2767 within 30 days of the instructor's employment. Reimbursements for that instructor will be held in abeyance until the supporting form is received by the JIRO.

A. Each school will submit a DD 2767 annually for those JROTC instructors continuing employment at the school in the upcoming academic year.

B. Forms must be received prior to the end date of an instructor's current contract to ensure uninterrupted reimbursement.

C. Schools are reimbursed only when there is a current pay data form on file at the JIRO.

210704. Entitlement Computation

For each new instructor, reimbursement to the school will be computed using the minimum instructor entitlement calculation until the DD 2754 is received from the instructor and is on file with the JIRO. See section 210210.

210705. Entitlement Recertification

Instructors may be required to recertify dependent status and permanent duty station (school) zip code for entitlement to BAH and OHA (as applicable). A DD 2754 is used to fulfill the recertification requirement.

A. Recertification is required upon request of the servicing JIRO, or upon a change in the instructor's dependent status or employment zip code.

B. OHA recertification is required each year.

C. Reimbursement to a school will be computed based on the minimum instructor entitlement calculation unless a current DD 2754 is on file at the JIRO.

2108 SEPARATIONS, TRANSFERS, DECERTIFICATIONS AND DISESTABLISHMENTS

210801. Separations

Each employing school must forward a DD 2767, or termination letter, containing the applicable date to the JIRO within 30 days of the separation or death of an instructor. Separation of an instructor occurs when that instructor resigns his or her position at a specific school. If notification is not received in a timely manner, then future reimbursement to the school must be adjusted to reflect the actual period of time the instructor performed duties as a JROTC instructor and to collect any over reimbursement.

210802. Transfers

A transfer of an instructor occurs when he or she resigns the position at one school and accepts a position at another school. Transfers must be processed as a separation from one school and a new hire at another school. Both the losing and gaining schools forward a DD 2767. The gaining school provides financial institution information via ***Standard Form (SF) 3881, "Automated Clearing House (ACH) Vendor/Miscellaneous Payment Enrollment Form"***. The instructor must forward an updated DD 2754 as stipulated in section 210704.

210803. Decertification

A Military Service may, for cause, decertify a JROTC instructor for employment eligibility. The IMD must immediately notify the JIRO of those instructors who have been decertified and currently are under contract with a school. Future reimbursement to the school must be adjusted to reflect the actual period of time the instructor performed duties as a JROTC instructor and to collect any over reimbursement.

210804. Disestablishment of JROTC Units

Disestablishment of a JROTC unit normally occurs upon determining that the unit will not meet the standards specified by the Military Service, or the unit cannot maintain the statutory minimum student enrollment. The disestablishment of a unit voids the contract between the Military Service and the school. Instructor reimbursements terminate and the JIRO must authorize final reimbursement to, or initiate collection action from, the school.

2109 JROTC INSTRUCTOR PAY COMPUTATION

210901. MIP Pay and Allowances

The active duty pay and allowances included for computing MIP are shown in the subparagraphs. All other pay and allowances are excluded unless permitted by specific revisions to ***DoD Instruction 1205.13***, "Junior Reserve Officers' Training Corps (JROTC) Program."

A. Basic Pay;

B. BAS;

C. BAH;

D. CONUS or OCONUS COLA, (when applicable);

E. OHA; and

F. CRA.

210902. MIP Rate Adjustments

The following circumstances cause MIP rates to change:

A. Changes to active duty pay and allowances;

B. Changes in dependent status that affect the amount of BAH, OHA, and CONUS or overseas COLA;

C. Changes in housing expenses due to the instructor's actual monthly certified housing expenses that affect the amount of OHA;

D. Frequent foreign currency fluctuations that affect the amount of OHA and OCONUS COLA;

E. Longevity increases to basic pay according to grade, which also affects overseas COLA; and

F. A raise in retired pay, which will decrease the MIP.

210903. MIP with Disability Compensation

The computation of MIP shall be without regard to whether the gross retired pay received by the member is reduced because of the member's receipt of disability compensation from the Veterans Administration under ***38 U.S.C. 5304***. A member's receipt of entitlements under ***10 U.S.C. 1414*** is also not considered.

2110 FINANCIAL MANAGEMENT

211001. Memorandum of Understanding (MOU)

A MOU between Defense Finance and Accounting Service (DFAS) and the JIRO will be used to prescribe financial management responsibilities.

211002. Military Service Responsibilities

Each Military Service will be the holder and manager of its JROTC funds. The JIRO concerned certifies funds availability to the proper line of accounting, verifies each JROTC instructor's pay computation for accuracy prior to disbursement by the designated paying office, as well as monitors the budget execution throughout the assignment of the JROTC instructor.

211003. Accounting Office Responsibilities

Based on notification received from the JIRO and in accordance with the established MOU, the accounting office will ensure that funds are made available to the designated paying office for all school disbursements. Reimbursement to DoDDS and DDESS must be made via a separate IPAC transfer that cites the applicable appropriation provided for DoDDS and DDESS.

211004. Designated Paying Office Responsibilities

Disbursements are made only after the JIRO concerned has verified the payroll, certified fund availability, and has received concurrence from the appropriate accounting office. In accordance with the MOU, the DFAS designated paying office will disburse funds for school reimbursements using a ***SF 1034, "Public Voucher for Purchases and Services Other than Personal"***, for each of the Military Service's payments to the school districts. Funds must be

sent via EFT to the financial institution of the school district, with the exception of reimbursements to the DoDDS and DDESS schools. See paragraph 211003.

2111 IDENTIFICATION AND COLLECTION OF JROTC RELATED DEBTS

211101. Debt Identification

A debt accrues when a school, or school district, is over-reimbursed for the pay of an instructor(s). The following are examples of when debts might accrue:

A. Instructor transferred to another school. This possibly results in the losing school being over-reimbursed, and the gaining school being under-reimbursed;

B. Instructor separated from instructor program;

C. Instructor dies; or

D. Instructor's contract ending date changed, thereby shortening the contract period.

*211102. Debt Collection Process

Collection of a debt is accomplished by an adjustment to the amount of reimbursement paid to the school for the next calendar month, with one exception. When a debt is owed by a school that no longer has JROTC instructor(s) and is not due any further reimbursements, collection action will be in accordance with Volume 10, Chapter 18.

A. The JIRO must initiate collection action from the school directly via use of a debt letter. See Volume 10, Chapter 18 for instructions. Amounts collected must be forwarded to the JIRO.

*B. After the JIRO has completed all related actions specified in Volume 10, Chapter 18, uncollected debts 180 days delinquent may be referred to the Treasury, Bureau of the Fiscal Service for further collection action.

VOLUME 10, CHAPTER 22: "PAYMENT RECAPTURE AUDITS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by a * preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated November 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Chapter Title and Chapter Terminology	Updated chapter title from "Recovery Auditing" to "Payment Recapture Audits" and updated all instances of respective terminology in accordance with Public Law 111-204 (IPERA), and OMB Circular A-123, Appendix C (revised April 2011).	Update
2201	Added new statutory and regulatory requirements.	Update
220201	Added definition of Cost-Effective Payment Recapture Audit (PRA) program.	Add
220302	Added requirement for establishing PRA program targets.	Add
220402	Updated PRA reporting requirements in accordance new statutory and regulatory requirements.	Update
2209	Updated requirements for private sector recapture auditors and their responsibilities while on DoD sites.	Update
2211	Added language for overpayments deemed not collectable or improper, and for programs and payments that have separate statutory authority and requirements.	Add
2212	Added language for disposition of recaptured funds prior to IPERA enactment.	Add

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CHAPTER 22

PAYMENT RECAPTURE AUDITS

2201 OVERVIEW

220101. Purpose

This chapter establishes the Department of Defense (DoD) program to implement the requirements of The Improper Payments Elimination and Recovery Act of 2010 (IPERA) for use of Payment Recapture Audits (PRA). This chapter also encompasses the associated regulatory guidance found in ***Office of Management and Budget (OMB) Circular A-123, Appendix C.***

220102. Applicability

All programs or activities with annual payments that exceed $1 million must determine if instituting a payment recapture audit is cost-effective. Please note that this is a significant change from the previous recovery auditing threshold for two reasons: 1) the previous threshold was $500 million in annual payments, and 2) it was confined to commercial payments only. IPERA and PRA apply to all types of payments.

A. If a Component concludes that implementing this type of review for a program or activity is not cost-effective, then it must submit a quantitative justification to the Office of Under Secretary of Defense (Comptroller) (OUSD(C)), Office of the Deputy Chief Financial Officer (ODCFO), Accounting & Finance Policy (AFP) Directorate, for approval.

OUSD(C)/ODCFO/AFP
1100 Defense Pentagon
Washington, DC 20301

B. When determining the cost-effectiveness of the use of payment recapture audit contingency contracts, any Defense Finance and Accounting Service (DFAS) resources used to assist the payment recapture auditing contractor must be taken into consideration. This includes the cost of providing government records, researching claims, and recovering amounts due the government.

C. These payment recapture audits will be implemented in a manner designed to ensure the greatest financial benefit to the Component, and will give priority to the most recent overpayments in programs susceptible to significant improper payments.

D. Components will report the results of their payment recapture auditing program to OUSD(C)/ODCFO/AFP (see subparagraph 220102.A.) and in accordance with ***OMB Circular A-136," Financial Reporting Requirements."*** For more detailed reporting requirements, see section 2204 of this chapter.

2202 DEFINITIONS

220201. Cost-Effective Payment Recapture Audit Program

A cost-effective recapture audit program is one in which the benefits (i.e., recaptured amounts) exceed the costs (e.g., staff, time and resources, or payments for the payment recapture audit contractor) associated with implementing and overseeing the program.

220202. Payment Recapture Audit

A Payment Recapture Audit is a review and analysis of a Component's or program's accounting and financial records, supporting documentation, and other pertinent information supporting its payments, that is specifically designed to identify overpayments. It is not an audit in the traditional sense. Rather, it is a detective and corrective control activity designed to identify and recapture overpayments, and, as such, is a management function and responsibility.

220203. Payment Recapture Audit Contingency Contract

This type of contract is for payment recapture audit services in which the contractor is paid for its services as a percentage of overpayments actually collected. Clear evidence of overpayments must be provided by the contractor to the appropriate Component official.

220204. Payment Recapture Audit Program

This is a Component's overall plan for risk analysis and the performance of payment recapture audits and recovery activities. The Component head will determine the manner and/or combination of payment recapture activities to be used that are expected to yield the most cost-effective results. (See paragraph 220201.) These activities should include a management improve improvement program, if appropriate. A copy of this program shall be provided to the Component's Inspector General (IG) annually.

220205. Post-Award Audit

A post-award audit refers to a post-award examination of the accounting and records of a payment recipient that is performed by a Component official, or an authorized representative of a Component official, pursuant to the audit and records clauses incorporated into the contract or award. An audit is normally performed by an internal or external auditor that services in an advisory capacity to the Component official.

A. A post-award audit, as distinguished from a payment recapture audit, is normally performed for the purpose of determining if amounts claimed by the recipient are in compliance with the terms of the award or contract, and with applicable laws and regulations. Such reviews involve the recipient's accounting records, including the internal control systems.

B. A post-award audit may include a review of the other pertinent records (e.g., reviews to determine if a proposal was complete, accurate, and current); and reviews of

recipients; systems established for identifying and return any improper payments received under its federal awards.

2203 DoD PAYMENT RECAPTURE AUDIT PROGRAM

220301. Annual Plan Submission

All Components that expend $1 million or more annually for each program and activity, must annually submit a payment recapture audit plan for use during the upcoming fiscal year to OUSD(C)/ODCFO/AFP (see subparagraph 220102.A.) not later than August 31 each year. At a minimum, this plan must include:

A. the estimated total dollar amount of payments by program or activity for the current fiscal year;

B. any additional collection/recovery audits and/or risk mitigation activities the Component plans to use in addition to its current DoD PRA Program;

C. the dollar amount of payments the Component plans to review using these additional activities or audits;

D. what entity will perform the payment recapture audit (internal, external, or contractor resources);

E. the proposed methodology; and,

F. the period of review.

In addition, if the Component head should determine that performing payment recapture audit activities are not cost-effective for certain categories of disbursements, as further described in paragraph 220303, the quantitative justification must be included in this plan.

220302. Establish Targets for Payment Recapture Audit Programs

For each PRA program established, annual recovery targets must be set. Targets will be based on the rate of recovery (i.e., amount of improper contract overpayments recovered divided by the amount of improper contract overpayments identified). Each Component will set their recapture targets for review and approval by OUSD(C)/ODCFO/AFP (see subparagraph 220102.A.) striving to achieve a minimum 85 percent recapture rate by the third reporting year. Lower targets will require supportive analysis and approval from OMB.

2204 REQUIRED REPORTING

220401. Annual Reporting

Components must report annually on their payment recapture audit programs. Components must consult with the DFAS Directorate for Enterprise Solutions & Standards, (ESS) Post Pay Review and Analysis Office (JJO) 8899 East 56th, Street, Indianapolis, IN 46249 to ensure proper coverage of improper payments and payment recapture actions and to prevent duplicate reporting. Components must inform OUSD(C)/ODCFO/AFP, and also report in their Agency Financial Report (AFR) submission if suspension or limitation occurs in the Component monitoring/oversight activities. In order to meet the AFR reporting schedule, fiscal year-end reporting for payment recapture audit programs is due not later than the 10th business day in September, the same reporting requirement as specified in Volume 4, Chapter 14, Improper Payments," of this Regulation.

220402. OMB Circular A-136 Required Reporting

Components must report in accordance with the annual update to OMB Circular A-136, Financial Reporting Requirements. The following is normally required:

A. A general description, evaluation of the steps taken, and the methodology applied to carry out their cost-effective recapture audit program;

B. The total cost of the Component's recapture activities and audits;

C. The total amount of payments subject to review will include a description and justification of the classes of payments excluded from the payment recapture audit contractors, with an explanation of why recapture audits were not performed on all programs and activities, i.e., if not cost-effective;

D. The actual dollar amount of payments reviewed;

E. The amounts actually recaptured during the current fiscal year. The amounts identified for payment recaptured audits must be separated between current year and prior years. Please note that voluntary or unsolicited refund dollar amounts must be separated from amounts identified through payment recapture activities. In addition, recoveries must also be separated between internal and external PRA activities;

F. To the extent possible, any underpayments identified through the payment recapture audit process should be corrected by the Component. Components may include provisions that authorize payments to payment recapture auditors for underpayments identified;

G. A summary of the disposition of recaptured funds in accordance with ***OMB Circular A-123, Appendix C*** and ***OMB Circular A-136***.

H. The amounts outstanding and determined to not be collectible, including the percent each category represents of the total overpayments identified for recapture to include:

1. An aging schedule of the amounts not currently recovered or not under a repayment agreement and,

2. Justification for any amounts that have been determined to be uncollectible;

I. A corrective action plan that addresses and links directly to the root causes of error identified;

J. A general description and evaluation of any management improvement program carried out pursuant to this guidance; and

K. Instances of potential fraud discovered through payment recapture audits and recovery activities must be reported in accordance with Volume 5, Chapter 6, paragraph 060203.

2205 SCOPE OF DoD PAYMENT RECAPTURE AUDITS AND ACTIVITIES

220501. Dollar Threshold

All programs and activities that expend $1 million or more annually, including grant, benefit, loan and contract programs, shall be considered for payment recapture audits. Subject to the exceptions in paragraph 220502, all classes of contracts and contract payments, as well as all other types of payments should be considered for payment recapture audit activities. Components that disburse payments must review the different types of payment categories, and identify those categories that have a higher potential for recoverable payment errors which will ensure the greatest financial benefit to the government. Once this assessment is performed, the Component must then determine the overall cost-effectiveness of performing payment recapture audits as explained in paragraph 220201.

220502. Possible Exclusions

Components may exclude classes of contracts and contract payments from their payment recapture audit activities if the Component Head determines that payment recapture activities and audits are not a cost-effective method for identifying and recovering improper payments. If the Component Head elects to exclude a class of contract or certain contract payments from payment recapture activities or audits, then the justification for this exclusion must be included in their annual plan and annual report with justification as mentioned in sections 2203 and 2204. These possible exclusions are also described in ***OMB Circular A-123, Appendix C***.

A. Cost-type contracts that have not been completed where payments are interim, provisional, or otherwise subject to further adjustment by the government in accordance with the terms and conditions of the contract;

B. Cost-type contracts that have been completed and subjected to a final contract audit; and, prior to final payment of the contractor's final voucher, if all prior interim payments made under the contract were accounted for and reconciled;

C. Other contracts that provide for contract financing payments or other payments which are interim, provisional, or otherwise subject to further adjustment by the government in accordance with the terms and conditions of the contract;

D. Recent payments (made less than 180 days prior to the review) may be excluded in order to allow the Component's normal post-payment processes to identify and correct any overpayments; and

E. Other types of payments may be excluded from further review based on cost-effectiveness. For example, if the use of a pre-payment tool demonstrates that it is preventing most, if not all, duplicate payments, then these payments may be excluded from the Component's payment recapture auditing effort.

220503. Non-replication of Existing Audits

Components must take steps to ensure that the implementation of their payment recapture audit activities and audits do not result in duplicate audits of payee records. In this regard, actions to follow up with payees on potential overpayments identified through payment recapture audits of Component records do not constitute audits of contractor records. However, payment recapture audit activities should not duplicate other audits, to include other post-payment reviews or Defense Contract Audit Agency audits, of the same payee records that specifically employ payment recapture audit techniques to identify and recover payment errors.

2206 ROLE AND RESPONSIBILITIES OF THE PRA PROJECT OFFICER

220601. Role

To facilitate compliance with ***OMB Circular A-123, Appendix C***, the OUSD(C)/ODCFO established reporting responsibility for this function in the AFP Directorate. This reporting function is part of the OUSD(C) oversight responsibility for DoD's annual Payment Recapture Audit reporting in the AFR.

220602. Responsibilities

The Payment Recapture Audit Project Officer is responsible for:

A. Reviewing the Components' annual payment recapture auditing plan submissions as described in section 2203 to ensure completeness.

B. Reviewing the annual submission of Payment Recapture Audit reports described in section 2204 of this chapter to ensure the reporting requirements are met.

C. Preparation and submission of Department-wide payment recapture auditing results and mandatory reports as described in OMB guidance, and any related information for submission to OMB, publication in the AFR, and other required reporting.

2207 ROLE AND AUTHORITY OF THE OFFICE OF THE IG

220701. No Impairment of Inspectors General Authority

Nothing in this guidance should be construed to impair the authority of an IG under the Inspector General Act of 1978, as amended, or any other law. However, because the payment recapture audit program required by this guidance is an integral part of Component's internal control over contract payments, and therefore a management function, independence considerations would normally preclude the IG, and other Component external auditors from carrying out management's payment recapture audit program.

220702. Effectiveness Assessment

The IG, as well as other authorized auditors, are encouraged to assess the effectiveness of Components' payment recapture audit programs as part of their internal control work on existing audits (e.g., the annual financial statement audit, or as a separate audit).

2208 SOURCES TO PERFORM PAYMENT RECAPTURE AUDITS

Payment recapture audits may be performed by employees of the Components, by any other Component, department or agency of the United States Government acting on behalf of the Component, or by private sector contractors performing payment recapture audit services under contracts awarded by the Component, or any combination of these options.

2209 PRA SERVICES PERFORMED BY CONTRACTORS

220901. Use of External Contractors

When Components have determined that using external post-payment recapture audit contractors (i.e. recapture audit contingency contract) is the most cost-effective plan, these private sector firms may, with the consent of the employing Component, communicate with the Component's contractors for the purpose of verifying the validity of potential payment errors they have identified. In addition, to avoid confusion with established accounts receivable/debt management processes, Components must work with the DFAS ESS Accounting Mission Area, Accounts Receivable Office (JJA) at 8899 E. 56th. Street, Indianapolis, IN 46249 in the decision-making process as to allowing direct communication with the Component's contractors.

220902. Required Root Cause Analysis

In addition to identifying and documenting specific overpayments resulting from payment errors, payment recapture audit contractors must also analyze the reasons why payment errors

occurred and, where appropriate, recommend cost-effective controls to prevent such overpayments in the future. These results must be presented to management on a regular basis. The results of such analysis and related recommendations should be considered by the Component as part of its management improvement program. These submissions must be timely and cover a period not to exceed 12 months. The Component should provide such information to DFAS, the DoDIG, and where applicable, the IG of the Military Service, hereafter referred to as their respective OIG.

220903. Contingency Fee Requirement

Contracts entered into by Components to obtain payment recapture audit services from the private sector are limited to contingency contracts that pay the contractor an amount equal to a negotiated percentage of the total amount collected by the United States for valid claims of overpayment. Components may allow contracted payment recapture auditors to establish a presence on, or visit, the property, premises, or offices of any subject of payment recapture audits. Such physical presence is not prohibited, and may in fact allow the payment recapture auditor to perform a more thorough review of the subject's payments, and related documentation and payment files.

220904. External Contractor Prohibitions

In addition to provisions that describe the scope of payment recapture audits (and any other provisions required by law, regulation, or Component policy), any contract with a private-sector firm for payment recapture audit services will include contract provisions that prohibit the payment recapture audit contractor from:

A. Requiring production of any additional records or information from the Component's contractors. Only duly authorized employees of the Component can compel the production of information or records from the Component's contractors, in accordance with applicable contract terms and DoD regulations;

B. Acting as an agent for the Federal Government in the recovery of funds improperly paid to contractors;

C. Using or sharing sensitive financial information with any individual or organization, whether associated with the Federal Government or not, that has not been officially released for use by the general public, except for the purpose of fulfilling the payment recapture audit contract; or

D. Disclosing any information that identifies an individual, or reasonably can be used to identify an individual, for any purpose other than performing the payment recapture audit responsibilities.

220905. Safeguarding Confidentiality

Components will require the payment recapture audit contractor to take steps to safeguard the confidentiality of sensitive financial information that has not been released for use by the general public and any information that could be used to identify a person.

220906. Actions of External Contractors

The payment recapture audit contractor may, with the consent of the contracting Component, notify vendors of potential overpayments made to these contractors, respond to questions concerning potential overpayments, and take other administrative actions with respect to overpayment of claims made or to be made by the Component. However, the payment recapture audit contractor will not have the authority to make final determinations relating to whether any overpayment occurred and whether to compromise, settle, or terminate overpayment claims.

220907. Minimum Contract Requirements

At a minimum, each contract for payment recapture audit services will require the contractor to:

A. At least quarterly, provide reports to the DoD disbursing Component on the root cause conditions causing the overpayments identified and recommendations on how to mitigate such conditions.

B. Notify the DoD disbursing Component of any overpayments identified by the contractor pertaining to any Component that is beyond the scope of the contracts.

C. Report potential instances of fraud to the DoD disbursing Component and the Component's IG immediately. Contractor personnel must be trained to recognize evidence of fraud and vulnerability to fraud.

2210 PAYMENT RECAPTURE AUDIT COLLECTIONS ACTIVITY

Actual collection activity shall be carried out by federal employees, or nonfederal entities expending federal awards, as appropriate. However, Components or nonfederal entities may use another private sector entity, such as a private collection agency, to perform this function, if this practice is permitted by applicable laws and regulations governing collection of amounts owed to the Federal Government.

2211 DISPOSITION OF RECAPTURED AMOUNTS AFTER IPERA

221101. Amounts Collected

Title 31, USC, Sec. 3562 provides that amounts collected under a payment recapture audit program are available to reimburse the actual expenses incurred by a Component in administering the program, and to pay contractors in accordance with applicable guidance.

221102. Uses of Amounts Collected

Except as provided in paragraph 221103 of this chapter, section 2(h)(3) of the IPIA, as amended by the IPERA of 2010 (31 USC 3321 note), requires that any expired discretionary amounts collected (recaptured) through recovery audits that were appropriated after the enactment of IPERA, and that are not used to reimburse expenses of the Component or pay payment recapture audit contractors under paragraph 221101, will be used in the following manner:

A. Up to 25 percent of the recaptured funds may be used to supplement (but not supplant) any other amounts available to support the Component's financial management improvement program, and shall remain available until expended. Such funds can be passed to nonfederal entities such as state and local governments if the agency determines that is the best disposition of the funds to support its financial management improvement program.

B. Up to 25 percent of the recaptured funds may be used for the original purpose of the fund. The funding will be credited to the appropriation or fund, if any, available for obligation at the time of collection for the same general purposes as the same appropriation or fund for which the overpayment was made, and shall remain available for the same period of availability and purposes as the appropriation or fund to which credited.

C. Up to 5 percent of the recaptured funds shall be available to the Component's IG. The IG may use this funding to carry out the law's requirements, and perform other activities relating to investigating improper payments or auditing internal controls associated with payments. This funding will remain available for the same period of availability and purposes as the appropriation or fund to which it is credited.

D. The remainder of the recaptured, cancelled discretionary funds that were appropriated after the enactment of IPERA and that are not used for the purposes described in subparagraphs 221102.A, 221102.B, 221102.C, and 221102.D, or used under otherwise available authorities, must be deposited in the Treasury as miscellaneous receipts.

221103. Return of Collections to Original Appropriation

After reimbursement of expenses or payment to recapture audit contractors under paragraph 221101, any overpayments from discretionary funds that are recaptured from unexpired appropriations enacted after IPERA was enacted are to be returned to the appropriation from which made, not for any other purpose as described in paragraph 221102. Recovered overpayments from revolving funds, working capital funds, non-appropriated funds, and appropriations with indefinite periods of availability must be refunded to such accounts.

221104. Collections to Mandatory, Trust Fund, or Special Fund Accounts

Any overpayments from mandatory fund accounts, trust fund accounts, or special fund accounts, i.e., revolving funds, shall revert back to those accounts.

221105. Other Uses of Collections

When required or authorized by other provisions of law, any funds remaining after reimbursing the actual expenses for the administration of the program and paying payment recapture audit contractors, may be credited to the non-appropriated fund instrumentality, revolving fund, working capital fund, trust fund, or other fund or account from which the improper payments were made. For example, a payment recapture audit contractor may identify an improper payment during its review of a Defense Agency's working capital fund. Upon recovery of the payment, the Component could use the proceeds recovered to reimburse the Department's administration expenses and pay the payment recapture audit contractor's contingency fee. The remaining balance, if any, could then be credited back to the Component's working capital fund.

221106. Contingency

Contingency fee contracts will preclude any payment to the contractor performing payment recapture audit services until the recoveries are actually collected by the Component.

221107. Accounting for and Reporting Collections

All funds collected and all direct expenses incurred as part of the payment recapture audit program will be accounted for specifically. The identity of all funds recovered must be maintained as necessary to facilitate the crediting of recovered funds to the correct appropriations, to identify applicable time limitations associated with the appropriated funds recovered, and to allow for required reporting in compliance with OMB Circular A-136.

221108. Unconfirmed Overpayments

Overpayments that are identified by the payment recapture auditor, but that are subsequently determined not to be collectable or not to be improper, will not be considered "collected" for disposition purposes outlined in this section.

221109. Separate Statutory Authorities

Programs and payments that have separate statutory authority and requirements to conduct payment recapture audits are not required to follow the disposition of recovered funds outlined in section 2212. As an example, the General Services Administration audits transportation payments for improper payments. See Chapter 13 of this volume.

2212 DISPOSITION OF RECAPTURED AMOUNTS BEFORE IPERA

221201. Collections from Payments Made Prior to IPERA Enactment

Components may review payments from appropriations that were enacted before IPERA was signed into law (July 22, 2010), and have the same authorities to credit collections as existed before

IPERA was enacted. ***OMB Circular A-123, Appendix C***, provides detailed guidance for the disposition of recovered amounts prior to IPERA enactment.

A. For recoveries of funds appropriated prior to IPERA's enactment, Components may use the recovered funds for reimbursement of Component expenses and to pay the payment recapture audit contractor.

B. For those funds appropriated prior to IPERA's enactment but which have been cancelled, any remainder of the recovered funds must be returned to the Treasury as miscellaneous receipts, after reimbursing the component's costs and paying the contractor.

C. For those funds that were appropriated prior to IPERA's enactment but which have not been cancelled, the remainder of the recovered funds should be returned to the program account as an appropriation refund, after reimbursing the component's costs and paying the contractor.

2213 GRANT PROGRAMS

Components whose grant programs fund significant contract activity by grant recipients may consider including contracts at the grant recipient level in their payment recapture audit program. Components can engage contractors on a contingency basis to the extent otherwise authorized by law.

VOLUME 10, CHAPTER 23: "PURCHASE CARD PAYMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated September 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
230101	Revised the title from Department of Defense (DoD) Government Charge Card Guidebook to DoD Government Charge Card Guidebook for Establishing and Managing Purchase, Travel, and Fuel Card Programs.	Revision
230103	Revised references from Purchase Card Program Management Office (PCPMO) to the Program Development and Implementation (PDI) Directorate.	Revision
230105. A.1 Previous Version	Deleted section language and incorporated into 230105.	Revision
230105. A.2 Previous Version	Deleted duplicate language regarding fraudulent transactions that is located in paragraph 230403.A.	Deletion
230105.C	Deleted conflicting language that implied an improper transaction was abusive.	Deletion
230202	Added reference for Public Law 212-194, "Required Safeguards and Internal Controls."	Addition
230205	Deleted reference to Revenue Procedure 2004-43 and replaced with reference to the Guidebook.	Revision
230206	Clarified policy for accountable officials.	Addition
230208.B	Added clarity for unauthorized use of the purchase card by civilian personnel.	Addition
230211	Added reference to the Department's financial records retention policy in Volume 1, Chapter 9. Recognized that audit readiness requirements and reconciliation of payment or collection discrepancies may require a longer retention of records.	Addition
230212	Clarified language for purchase card rebates.	Addition
230303	Added language to address improper purchases directed by an official to a cardholder.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
230304	Updated the policy regarding the Review Official to be consistent with Volume 5, Chapter 33.	Revision
230305.A and .B Previous Version	Deleted section from the previous version and consolidated language for clarity in 230305. Also, referenced the Guidebook as the source for policy on Agency/Organization Program Coordinator (A/OPC) appointments.	Revision
230306	Added clarity for dual responsibilities when a certifying official may serve as an approving official.	Addition
230307	Added clarity for approving officials' responsibilities.	Addition
230308	Added language to establish potential liability of the cardholder for unauthorized purchases and for not timely disputing an erroneous charge.	Addition
230310	Added policy to require an advanced reservation of funds.	Addition
230311.D	Added policy to reflect that late payment penalty provisions may be cited in the bank card contract.	Addition
230401	Clarified language for receipt and acceptance of purchases made and properly documented.	Addition
230402.A and 230403.A	Clarified policy for those transactions not authorized by the cardholder.	Addition
230403.B	Clarified policy regarding payment of fraudulent transactions placed by an authorized cardholder.	Addition
230403.D	Clarified policy to require continued pursuit of supporting documentation for questionable transactions.	Addition
230404.B	Clarified policy regarding certification of known or suspected fraudulent transactions not authorized by the cardholder.	Addition
230405	Clarified policy regarding payment without receipt and acceptance is related only to micro-purchases.	Addition
230407	Added clarity for disputing transactions prescribed by Government Charge Card Guidebook.	Revision
230501.A	Added clarity not to commingle convenience check account transactions with purchase card transactions	Addition
230501.C	Added language for appointment of convenience check account holders.	Addition
230503	Added language for 1099 reporting requirements for convenience check account holders.	Addition
230504	Added clarity to the language to establish convenience check accounts.	Addition
230505	Added policy prescribing appointment letters for temporary increase in the micro-purchase threshold for convenience check account holders authorized to support a declared contingency or humanitarian aid operation.	Addition
230505.E	Added clarity for convenience check fees.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
230505.F	Added clarity to ensure security and control of convenience checks.	Addition
2306	Added policy for emergency and contingency operations.	Addition

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CHAPTER 23

PURCHASE CARD PAYMENTS

2301 GENERAL

*230101. Purpose

This chapter describes Department of Defense (DoD) command, supervisory, and personal policy for financial management related activities within the purchase card program. This chapter supplements general payment policy and procedures described in other chapters of Volume 10, along with the ***DoD Government Charge Card Guidebook for Establishing and Managing Purchase, Travel, and Fuel Card Programs*** (hereafter referred to as the Guidebook) and ***Office of Management and Budget (OMB) Circular A-123, Appendix B***. The purpose of the ***Guidebook*** and the OMB Circular A-123, Appendix B is to assist DoD officials in establishing and managing purchase card programs.

230102. General

Through task orders issued on the General Services Administration (GSA) master contract, the DoD uses third party card-issuing banks to support the purchase card program. The card-issuing banks provide a commercial purchase and payment service that replaces the paper-based, time-consuming purchase order process, thereby eliminating procurement lead time, providing transaction cost savings, reducing procurement office workload, and facilitating payment. The suite of services offered by the card-issuing banks also includes web-based electronic invoicing, statement review, approval, and certification processes. Purchase cards are used by cardholders to make and/or pay for authorized government purchases, subject to established limitations on transaction amount, billing cycle amount, and merchant category codes (MCCs) which are defined in ***Appendix I of the Guidebook***. A purchase card charge authorizes the card-issuing bank to make payment to the vendor or contractor consistent with the applicable card associated regulations. An authorized purchase is defined as a purchase that satisfies a bona fide need at a fair and reasonable price that meets all legal and regulatory requirements. Any misuse of the purchase card is subject to administrative and disciplinary actions, as described in the Guidebook and applicable Component personnel policies and procedures.

*230103. Oversight

The Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (OUSD(AT&L)) is responsible for oversight of the purchase card program. The Program Development and Implementation (PDI) Directorate reporting to the Director, Defense Procurement and Acquisition Policy (DPAP) in OUSD(AT&L), is responsible for policy formulation, procedural guidance, and operational oversight of the purchase card program administered by DoD Components. Agency/Organization Program Coordinators (A/OPCs) serve as the Agency's functional representatives and have oversight to manage and ensure the integrity of the purchase card program.

230104. Audits

The purchase card program is subject to periodic audits pursuant to ***Title 10 United States Code (USC), section 2784(b)(14)*** by the DoD Inspector General (DoD IG) and the Military Services' audit agencies, to determine whether the program is in compliance with applicable policy.

*230105. Terminology for Unauthorized Transactions

The following terminology is used in this chapter to describe types of unauthorized purchase card related transactions.

A. Fraudulent Transaction. A fraudulent transaction is a transaction made either by an unauthorized individual or an authorized individual (i.e. cardholder) that is intended for personal use. Fraudulent transactions can be classified as either internally or externally committed, depending on whether a DoD representative commits fraud (internal) or a third party commits fraud (external). Fraudulent transactions only include those transactions for which there are facts to indicate that the transactions were fraudulent at the onset. Those may include such facts as the identity of the purchaser (e.g., an unauthorized user), the nature of the items purchased (e.g., items that are personal in nature and not likely to be a government requirement: jewelry, furs, entertainment, or personal audio-visual items), or other facts (e.g., the address to which items were sent). Transactions which are otherwise proper government purchases, but where the item or service was later stolen or converted to personal use, are not fraudulent transactions for purposes of this chapter.

B. Improper Transaction. An improper transaction is a transaction involving items or services intended for government use, but are not for a purpose for which the funds are available. These transactions are not disputable with the card-issuing bank in cases of purchases made by a formally appointed cardholder. If the transaction is not disputable, then the matter should be annotated appropriately in the purchase card records and immediately investigated. When the ordering activity does not have funds available for the particular transaction, but available funds exist elsewhere in the DoD, the approving official will obtain assistance of the Resources Manager (RM) to secure appropriate funds.

C. Abusive Transaction. An abusive transaction is a transaction that was authorized, but was either carried out for an excessive cost or for a questionable government need. Examples include items or services that are centrally managed for which approval for the local purchase has not been obtained; items or services purchased for legitimate government requirements but which exceed those requirements ("gold plated" items); or items or services that the cardholder was not authorized to purchase.

D. Questionable Transaction. A questionable transaction is a transaction for which there was insufficient documentation to determine whether it was in support of a valid requirement or otherwise proper.

E. Reportable Transactions. The cardholder, approving and/or certifying official, A/OPC, and personnel at all levels will report unauthorized transactions in accordance with the Guidebook and related Component policies, and bankcard agreements/contracts. Fraudulent transactions are to be reported to the bank by the cardholder, approving and/or certifying officials, and/or A/OPC, as well as to the appropriate investigative authorities.

2302 PURCHASE CARD POLICY

230201. Background

All cardholders will use the purchase card for authorized purchases in accordance with ***Federal Acquisition Regulation (FAR), Part 13***, ***Defense Federal Acquisition Regulation Supplement (DFARS), Part 213***, the Guidebook, the current GSA contract and applicable task order, and this Regulation.

*230202. Internal Controls

All DoD Component purchase card program implementing policies must ensure the inclusion of appropriate internal controls to prevent, detect, and report unauthorized purchase card transactions (***Public Law 112-194***). Refer to paragraph 230105 for a description of unauthorized transactions.

230203. Separation of Duties

Managers at all levels will maintain the effective operation of internal controls within the purchase card program and ensure adequate separation of duties of participants under their control. The management accountability and internal control requirements prescribed by the PDI, along with those outlined in Volume 10, Chapters 1 and 17, will apply to the operation of a DoD Component purchase card program. Refer to the Guidebook for additional information on management and card program controls.

230204. Data and System Access

Cardholder, approving and/or certifying official, A/OPC, and RM access to government and card-issuing bank purchase card data and processing systems will be limited to that necessary to accomplish required tasks while maintaining proper separation of duties. Refer to the Guidebook for specific responsibilities and requirements when such personnel transfer to other duties or depart from the organization.

*230205. Merchant Category Codes (MCCs)

MCCs are used to categorize each merchant according to the type of business in which the merchant is engaged and the kinds of supplies or services they provide. These codes are used to limit unauthorized transactions on a card account by blocking purchases from merchants identified by the PDI deemed to be inappropriate sources for government purchases. DoD policy involving MCCs are contained in the Guidebook.

*230206. Purchase Card Accountable Officials

Within DoD, purchase card accountable officials are military members or civilian employees who are appointed in writing as a departmental accountable official (DAO). Such appointments, made in accordance with Volume 5, Chapter 33 ***(10 USC 2773a)***, are necessary to establish pecuniary accountability under the law governing accountable officials other than those potentially liable under ***10 USC 2784(c)***. Accountable officials are responsible for providing information, data, or services to certifying or disbursing officials in support of the payment process.

A. A purchase card accountable official is responsible for attesting to the accuracy of information and data provided to a purchase card certifying official in support of a payment to the card-issuing bank.

B. Purchase card accountable officials will be accountable and may be held pecuniarily liable for any erroneous payments that result from inaccurate information and data, including designation of the proper appropriation(s) or other funds provided to a purchase card certifying official, if the erroneous payment is the result of negligence relative to the performance of assigned duties.

C. Foreign national employees cannot serve as purchase card accountable officials unless they are direct hire employees of the United States Government. However, prior to making such appointments, commanders should consider the potential consequences when the Status of Forces Agreements (SOFAs) or other treaties do not subject direct hire local nationals to the same pecuniary liability as other DoD employees. If such appointments are necessary, commanders should consider implementing other management controls to compensate for the lack of pecuniary liability. Refer to Volume 5, Chapter 1 for policy regarding accountable officials and foreign national personnel.

230207. Monthly Review

The monthly review checklist (refer to Annex 2) is intended as a reference tool for use in examining the cardholder purchase card statement from the card-issuing bank. Approving officials have fiduciary responsibility cited under Volume 5, Chapter 33, and will review each cardholder's billing statement every month to verify that the cardholder was authorized to purchase the items; the government has received the items; and all accountable property (including pilferable items as defined by the DoD Component) and other qualifying items have been properly recorded in government property accountability records in accordance with local procedures. The capitalization threshold and accountability requirements for property, plant, and equipment purchased are available in Volume 4, Chapter 6. Refer to paragraph 230403 for more information concerning approving official responsibilities.

*230208. Penalties for Unauthorized Use of the Purchase Card

Commanders and supervisors at all levels will ensure compliance with this chapter. Military and civilian personnel who violate the provisions of this chapter, the Guidebook, or misuse the purchase card are subject to administrative and disciplinary action. The misuse of the purchase card could be an offense that is punishable by a fine, imprisonment, or both.

A. Military personnel who violate the specific prohibitions contained in this chapter can be prosecuted under Article 92 of the Uniform Code of Military Justice (UCMJ), ***10 USC 892***, for failure to obey a lawful order or regulation, as well as any other applicable article of the UCMJ based on the nature of the misconduct involved.

*B. Civilian personnel who misuse, abuse, commit fraud, or otherwise are negligent with the purchase card will be subject to reimbursement of charges for unauthorized or erroneous purchases, in appropriate cases; and to disciplinary action up to and including removal from the federal service for a first offense (refer to ***10 USC 2784(c)(1)***). Fraudulent use is subject to criminal prosecution.

230209. Certification of Billing Statements

The certification process for billing statements received from the card-issuing bank involves a coordinated responsibility between the cardholder, approving official, and the certifying official as covered in section 2304. Policy, standards and controls used when electronically receiving and processing electronic transactions are contained in Volume 10, Chapter 17.

230210. Delegation

To affect purchase card invoicing at the DAO level, DoD Components will:

A. Designate each billing office and applicable approving official within the Component's activities to receive the official purchase card billing statements.

B. Delegate the authority to certify official purchase card billing statements pursuant to ***31 USC 3325*** and Volume 5, Chapter 1 and Chapter 33.

230211. Documentation

In accordance with ***10 USC 2784(b)(7)***, this Regulation, and as noted in the Guidebook, appropriate documentation, preferably electronic, will be maintained at all levels to support the integrity of the purchase card program and to facilitate the reconciliation and payment of purchase card transactions. Supporting documentation may include copies of cardholder statements, charge tickets, credit slips, receipts, the cardholder purchase log, invoices, delivery orders, approvals, requisitions, cross references to any related blanket purchase agreements, and telephone and mail order logs.

A. Cardholders will establish clear audit trails for purchase card transactions by maintaining a purchase log and other documentation, preferably electronic, to support each purchase and will make cardholder statements and supporting documentation available to the approving official and certifying official.

B. Volume 1, Chapter 9 provides the policy regarding document retention requirements that are applicable to financial records. Generally, the approving or certifying official must maintain certified billing statements and supporting documents for 6 years and 3 months in accordance with ***National Archives and Records Administration (NARA), General Records Schedule (GRS) 6, "Accountable Officers' Accounts Records"***. Extensions to this record retention period may be warranted on a case-by-case basis when determined necessary that the records are needed beyond the 6-year 3-month period to complete reconciliation of payment or collection discrepancies, audit readiness requirements, or for other necessary purposes. This time period also applies to the documentation related to the transaction types identified in paragraph 230105. Refer to Volume 15, Chapter 6 for additional information on document retention for accountable officer's records for Foreign Military Sales (10 years from the date of final case closure). If both the cardholder and approving official accounts are terminated, management needs to ensure the record retention requirements continue to be met.

*230212. Purchase Card Rebates

Timely payment is a purchase card rebate computation factor. Purchase card billing statements should be paid as soon as administratively possible when the rebate offered is greater than the cost of funds as defined in ***Title 5 of the Code of Federal Regulations (CFR) 1315.8***. The DoD will take advantage of the rebate offers only when it is economically justified and advantageous to the DoD. The DoD will follow the guidelines for taking discounts and rebates found in 5 CFR 1315, ***FAR 32.906(e)***, and ***Office of Management and Budget (OMB) Circular A-123, Appendix B, Chapter 7***. Billing statements will be paid for the amount certified. Pursuant to permanent authority enacted in the Fiscal Year 2008 DoD Appropriation Act, ***Public Law 110-116, Section 8067***, rebates attributable to the use of the purchase card may be credited to operation and maintenance; and research, development, test and evaluation accounts of the DoD which are current when the rebates are received.

230213. Compromised Account Numbers

If an account number is compromised or if a card has been lost or stolen, then the cardholder, approving official, certifying and billing official, or A/OPC will notify the card-issuing bank to close the account immediately.

2303 RESPONSIBILITIES

230301. General

Every individual involved in the purchase card process shall report suspected fraudulent, improper, abusive, or questionable use of the purchase card through the proper chain of command and in accordance with applicable Component policies. Refer to paragraph 230105 for

definitions of these transactions. Commanders and supervisors at all levels have the authority and the responsibility to ensure that military personnel and civilian employees under their supervision do not misuse assigned purchase cards. Commanders and supervisors are responsible for addressing unauthorized use of the purchase card. Purchase card disbursing and certifying officials are pecuniarily liable for illegal, improper, or erroneous payments, unless granted relief. Purchase card accountable officials may also be held pecuniarily liable. Policy concerning liability and relief of liability is available in Volume 5, Chapter 6.

230302. Head of DoD Component

The Heads of DoD Components (or their designees) may delegate their authority for the appointment, in writing, of certifying officials, DAOs, and review officials. Also, Heads of DoD Components are responsible for managing commanders, directors or other designated officials and their delegated authority for carrying out their duties and responsibilities as prescribed in the Guidebook.

*230303. Commanding Officer or Director

The military officer in command or the civilian director in charge of an activity has overall responsibility for implementing the purchase card financial management policies of this chapter. They have disciplinary authority over cardholders and approving officials and shall investigate all allegations of fraudulent, improper, abusive, or questionable transactions. The commanding officer or director will establish procedures for the activity that will permit rapid investigation and resolution of fraudulent, improper, abusive, or questionable purchase card transactions. They will convene or order an investigation in accordance with Volume 5, Chapter 6 and take all appropriate actions as a result of each investigation. When delegated authority by the Head of the DoD Component, the commanding officer or director will appoint approving and certifying officials in accordance with Volume 5, Chapter 33. In instances when an official directs a cardholder to purchase items or services that are subsequently determined to be fraudulent, improper, abusive, or questionable, the official who directs the purchase may be subject to reimbursing the government and to disciplinary action in accordance with ***OMB Circular A-123, Appendix B, Chapter 4, Sections 4.8 and 4.9***.

*230304. Review Official

The RO is an individual appointed by the commanding officer or director to perform pre- and/or post-payment reviews of payments and perform other duties in accordance with Volume 5, Chapter 33. The A/OPC may not be appointed as the RO.

*230305. Agency/Organization Program Coordinator (A/OPC)

The A/OPC is the individual appointed as identified in the Guidebook with responsibilities associated with the management, administration, and day-to-day operation of the purchase card program. The A/OPC will jointly work with the RM in setting and maintaining cardholder spending limits based on estimates of purchase requirements for the period or a

budgetary limit. They may also assist the RM in providing guidance to the cardholder on any legal or regulatory restrictions on the funds provided.

*230306. Purchase Card Certifying Official

The certifying official is the individual responsible for the accuracy of payments, including designation of the proper appropriation(s) or other funds, certified to the disbursing office and disbursing officer. The certifying official is liable for any illegal, improper, or incorrect payment processed by the DoD as a result of an inaccurate or misleading certification. The certifying official's appointment must meet minimum qualifications and eligibility requirements as discussed in Volume 5, Chapter 33. While it is desirable to maintain the greatest separation of duties possible, the certifying official and approving official may be performed by the same appointed person. (Approving officials' duties are identified in paragraph 230307). Purchase card certifying officials' responsibilities are identified in the Guidebook and generally include, but are not limited to:

A. Ensuring that transactions meet the legal requirements for authorized purchase card purchases;

B. Ensuring that adequate documentation is available for individual transactions, and cardholders have reconciled all transactions with purchase log entries;

C. Ensuring the facts presented in documents for payment are complete and accurate to include designation of the proper appropriation(s) or other funds;

D. Verifying that the line item detail on the invoices matches the amount certified for payment;

E. Taking appropriate action to prevent submission of duplicate invoices for the same transaction;

F. Ensuring that all items and services have been received, and that procedures are in place to ensure that transactions for items or services not received by the next billing cycle are disputed within the designated dispute timeline;

G. Implementing dispute procedures when warranted. Refer to paragraph 230407 regarding disputed transactions;

H. Reviewing and certifying the billing statement (preferably electronic) and forwarding it to the designated entitlement and/or disbursing office for timely payment processing. Annex 1 contains the language appropriate for the certifying officer's certification statement; and

I. Ensuring billing statement invoice transactions are reallocated to other accounting classifications, if necessary, prior to the actual certification of the invoice.

*230307. Approving Official

The approving official is the individual, appointed by the commanding officer, director or designee, with oversight responsibility for a number of cardholders to ensure that all purchase transactions are necessary and for official government purposes only. The approving official will serve as accountable official when not appointed as the purchase card certifying official.

A. As stated in paragraph 230206, within DoD, purchase card accountable officials are military members or civilian employees who are appointed in writing as a DAO. Such appointments, made in accordance with Volume 5, Chapter 33, are necessary to establish pecuniary accountability under the law governing accountable officials other than those potentially liable under 10 USC 2784(c). Accountable officials are responsible for providing information and data to certifying or disbursing officials in support of the payment process. A purchase card accountable official is responsible for attesting to the accuracy of information and data provided to a purchase card certifying official in support of a payment to the card-issuing bank. Purchase card accountable officials will be accountable and may be held pecuniarily liable for any erroneous payments that result from inaccurate information and data, including designation of the proper appropriation(s) or other funds provided to a purchase card certifying official, if the erroneous payment is the result of negligence relative to the performance of assigned duties.

B. Approving officials have fiduciary responsibility cited under Volume 5, Chapter 33, and will review each cardholder's billing statement every month to verify that the cardholder was authorized to purchase the items; the government has received the items; and all accountable property (including pilferable items as defined by the DoD Component) have been properly recorded on government property accountability records in accordance with Component procedures. The capitalization threshold and accountability requirements for property, plant, and equipment purchased are available in Volume 4, Chapter 6. Each approving official will have a reasonable span of control over cardholders in accordance with the Guidebook. The approving official's responsibilities are referenced in the Guidebook and generally include, but are not limited to:

1. Recommending purchase card dollar limits and MCC exclusions to the A/OPC for cardholders under their purview;

2. Ensuring that each cardholder fulfills his or her responsibilities as identified in the Guidebook;

3. Reviewing/reconciling his or her cardholder's statements and approving the statement when the cardholder cannot perform this function. A purchase card checklist, included as Annex 2, may be used as a tool by approving officials and certifying officials to exercise due diligence in billing statement reviews;

4. Verifying that all transactions are necessary government purchases in accordance with the FAR, DFARS, and applicable DoD policies and regulations;

5. Ensuring retention of the billing statement and all original supporting documentation preferably in an electronic repository (e.g., receipts, logs, invoices, delivery orders, approvals). This retention should capture and leverage origination of electronic data contained in automated systems so that it may be shared across the DoD's various platforms;

6. Tracking purchases paid for, but not received, along with monitoring related disputes cited in paragraph 230407 until the transaction issue is resolved;

7. Signing and dating the billing statement (preferably electronic) and forwarding it to the certifying official (if not the same as the approving official). Annex 1 contains the language appropriate for the approving official's certification statement;

8. Resolving any questionable purchases with the cardholder;

9. Notifying the A/OPC to close the account of any cardholder who has transferred, terminated, retired, or is in absent-without-leave status and informing the certifying official of these actions;

10. Notifying the A/OPC and certifying official (if not the approving official) of any planned approving official reassignment to other duties or departure from the installation or activity;

11. Notifying the A/OPC and certifying official (if not the approving official) of any lost/stolen cards (in addition to the cardholder notifying the card-issuing bank); and

12. Completing required initial and refresher training in accordance with the Guidebook and Volume 5, Chapter 33.

*230308. Authorized Cardholder

The cardholder is the individual appointed in accordance with the policies contained in the Guidebook. The Guidebook also covers the responsibilities of cardholders, their required use of a purchase log, and responsibilities of others charged with cardholder and cardholder account management and oversight. From a financial management perspective:

A. A cardholder will ensure funds are available prior to making the purchase.

B. When a cardholder uses the card to make an unauthorized transaction, as defined in paragraph 230105, the cardholder may be liable for any illegal, improper, or incorrect payment resulting from those transactions, and be subject to adverse personnel actions including removal in appropriate cases as prescribed in paragraph 230208.

C. In cases where an erroneous charge is not disputed timely, the cardholder may also be held accountable.

230309. Convenience Check Account Holder

The convenience check account holder is a military member or civilian employee appointed as prescribed in the Guidebook. The convenience check account holder will be responsible for ordering, receiving, storing, inventorying, reconciling and disposing of check stock. Convenience check account financial management policy is addressed in section 2305. The convenience check account holder is required to obtain and report tax data to the responsible tax office so that an ***Internal Revenue Service (IRS) Form 1099-MISC*** can be issued to the appropriate convenience check payee. Data reporting requirements are set forth at paragraph 230503. The convenience check account holder will not perform the functions of approving officials or certifying officials. The convenience check privileges of cardholders who improperly use convenience checks should be canceled.

*230310. Resource Manager (RM)

The RM is the individual designated by an agency to record formal commitments and obligations into the accounting system. Commitments shall be established in advance in amounts no less than the periodic purchase limits authorized for commercial purchase cards or at the purchase requisition level. Advance reservations of funds are established by the RM (or equivalent), in conjunction with the assigned A/OPC, and must be considered when setting office, managing account, and/or cardholder purchase limits. The use of advance reservations of funds or commitments for purchase requisitions will also ensure positive funds control, precluding expenditures from exceeding obligations. Policy for recording obligations for the transactions in this chapter is contained in Volume 3, Chapter 8. The RM responsibilities associated with the purchase card program are referenced in the Guidebook, and generally include but are not limited to:

A. Coordinating funding and spending limits with approving officials and A/OPCs, to include providing advice on legal or regulatory constraints on the use of funds;

B. Providing approving officials and cardholders official notification of funding;

C. Assigning default and alternate lines of accounting as appropriate, and ensuring they are entered into the card-issuing bank's system for electronic invoicing, receipt, and processing;

D. Providing reallocation authority to cardholders and approving/billing officials, when necessary. (The process of reallocation, which gives the cardholder the capability to select different lines of accounting for a transaction rather than the default line, is set up by the cardholder's supporting RM);

E. Receiving and correcting invoice rejects with the A/OPC's assistance;

F. Assisting with resolving accounts in a delinquent status and providing payment information when requested; and

G. Coordinating with the responsible officials to ensure any unrecorded purchases are recorded in the period in which they occur and the miscellaneous obligation is reversed timely as referenced in Volume 3, Chapter 8.

*230311. Entitlement Office

For the purpose of this chapter, the term "entitlement office" is defined as the office that processes the purchase card contractor's payment request (i.e., billing statement) after it has been certified by the certifying official. Responsibilities of the entitlement office include:

A. Verifying the amount certified for payment on the invoice matches the amount certified per the certified disbursement voucher;

B. Re-validating sufficient funds have been obligated in the accounting records;

C. Notifying the installation A/OPC and RM within one business day of invoices that are rejected, including a detailed reason for the rejection. Rejected transactions will be processed using the Standard Document Number/contract number of the original transaction, as applicable; and

*D. Computing interest penalties for late payments in accordance with Volume 10, Chapter 7 and the bank card contract provisions, if applicable.

230312. Disbursing Office

The disbursing office receives the certifying official Appointment/Termination Record (DD 577 Form) or accepted electronic equivalent for file retention and disburses payments to the card-issuing bank. The disbursing office will not replicate the reconciliation process before making payment on certified purchase card billing statements. The disbursing office makes an advice of payment available to the bank.

2304 STATEMENT RECONCILIATION AND CERTIFICATION

*230401. Receipt and Acceptance

The cardholder will ensure receipt and acceptance of the purchases made are performed and properly documented. Independent receipt and acceptance by an individual, other than the cardholder, is required for accountable property purchases, and self-initiated purchases (i.e., purchases lacking a documented requisition/request from someone other than the cardholder). Accountable property, as identified in the Guidebook, includes sensitive, classified, and pilferable property type items. Refer to the Guidebook for additional circumstances that may require independent receipt and acceptance and the use of Wide Area Workflow when the purchase card is used as a method of payment against a contract.

A. To verify proof of delivery, the date received, along with the signature (or electronic alternative when supported by appropriate internal controls), printed name, telephone number, and office designator or address of the receiving official will be recorded on the sales invoice, packing slip, bill of lading, or other shipping or receiving document. The name of the independent individual confirming receipt will also be recorded in the cardholder purchase log.

B. Local procedures may require additional items (e.g., based on cost) to require evidence of receipt by an individual other than the cardholder. The approving official will verify the existence of receipt and acceptance documentation (e.g., hand receipts for accountable property). The approving official also may physically verify receipt and acceptance. Cardholders shall also timely notify the property accountability official of pilferable, sensitive, or high valued property obtained with the purchase card, in accordance with established property accountability policy.

*230402. Cardholder Review

The cardholder's statement from the card-issuing bank details all the transactions posted against his or her account through the end of the billing cycle.

*A. Each cardholder will reconcile his or her statement against supporting documentation and the purchase card log to ensure timely payments. The cardholder will review the statement for billing errors and unauthorized transactions, and dispute such transactions with the merchant. The cardholder must report cases of fraud to the card-issuing bank under the billing discrepancies of the GSA master contract, the A/OPC, the commanding officer or director and the local procurement fraud investigative authority for investigation and adjudication, and comply with the bank's fraud reporting procedures. Known or suspected fraudulent transactions not authorized by the cardholder shall not be approved for payment. The electronic invoice shall be "short paid" by the amount of the transaction(s) in question and then electronically certified for payment. Cardholders shall identify the reason the transactions are deemed fraudulent and the date the fraudulent transactions were reported to the bank in the system. In all instances, the cardholder shall attempt to review/reconcile all transactions during the billing cycle within which they occur so that these fraudulent transactions are never included in the corresponding billing statement.

B. If the cardholder cannot obtain a credit for a disputed item from the merchant, then the cardholder will officially dispute the transaction with the card-issuing bank following the procedures in paragraph 230407. The cardholder will annotate instances of non-receipt for recently ordered goods or services on each statement.

C. The cardholder will sign and date the billing statement (preferably electronic) and forward it, with the necessary supporting documentation, to the approving official for appropriate action. Annex 1 contains the language appropriate for the cardholder's certification statement.

D. If the cardholder cannot review the statement upon receipt (e.g., due to leave or business travel), then he or she will make his or her cardholder statement and supporting documentation available to the approving official or certifying official for timely review.

*230403. Approving Official (as Accountable Official) Review

The approving official will review each transaction made by cardholders under their managing account to ensure all supporting documentation is obtained and correct, ensure cardholder reviews have been completed properly and disputed as necessary, ensure receipt of all accountable property has been properly documented, verify all transactions were necessary government purchases, and perform any other administrative function required by the purchase card program and other Component policies and procedures.

*A. Known or suspected fraudulent transaction(s) not authorized by the cardholder shall not be certified for payment and will be reported to the card-issuing bank under billing discrepancies provisions of the GSA master contract, the A/OPC, commanding officer or director and the local fraud investigative authority for investigation and adjudication. The electronic invoice shall be "short paid" by the amount of the transaction(s) in question. Refer to paragraph 230402.A. for additional guidance. If not done so by the cardholder, the approving official should ensure these transactions are disputed in accordance with applicable card-bank procedures, and reported as fraudulent in accordance with the card-issuing bank fraud reporting procedures, as well as, those of the Component.

*B. For improper and fraudulent transactions placed by an authorized cardholder, the government is contractually obligated to pay the card-issuing bank. Every purchase made by an authorized cardholder using an authorized card creates a contractual obligation of the government to pay the card-issuing bank. These types of fraudulent and improper transactions shall be reported to the A/OPC and/or appropriate authorities and/or management officials for investigation and corrective action in accordance with Component policies and procedures.

C. For abusive transactions, the approving official will authorize payment for any items that cannot be returned and pursue corrective action by reporting the matter to the A/OPC and management officials in accordance with Component policies and procedures.

*D. For questionable transactions, the approving official will determine as rapidly as possible whether there is potential fraud or whether the transaction is otherwise disputable. The mere lack of supporting documentation will not trigger a finding of fraud or impropriety unless the identity of the item or service or other facts would lead a reasonable person to believe that this was a fraudulent or unauthorized transaction. If the transaction is determined to not be fraudulent or otherwise disputable, then it should be authorized for payment. The approving official shall continue to perform follow-up work to obtain sufficient documentation to support that the transaction is no longer categorized as questionable. The follow-up work should involve the cardholder, appropriate management and bank officials as necessary.

E. When the approving official is appointed collaterally as the certifying official, he or she will also complete the requirements in paragraph 230404.

*230404. Certifying Official Review

The certifying official's billing statement is the official invoice for payment purposes.

A. The certifying official will review and certify the billing statement (preferably electronic) and forward it to the designated entitlement and/or disbursing office for timely payment processing. Annex 1 contains the language appropriate for the certifying officer's certification statement.

*B. The certifying official will not certify a known or suspected fraudulent transaction not authorized by the cardholder. Payment need not be made if the card or the card number is used by an unauthorized user, such as a vendor entering the wrong card number, or if the transaction was made after the card or card number was reported to be lost or stolen. The certifying official will follow applicable agency procedures for addressing all fraudulent, improper, abusive, or questionable transactions.

C. Pursuant to ***31 USC 3528***, a certifying official certifying a voucher (purchase card billing statement) is responsible for the information, computation, and legality of a proposed payment under the appropriation or fund. A certifying official will ensure all transactions are legal, proper, correct, and satisfy a bona fide need in accordance with government policies, rules, and regulations. Since payments are to the financial institution, the certifying officer is responsible for certifying the legality and accuracy of the information pertaining to the amount owed the financial institution. Certifying official liability for erroneous payments will not be assessed, in most cases, when (1) the obligation was incurred in good faith, (2) no law specifically prohibited the payment; and (3) the government received value for payment.

*230405. Payment Without Receipt and Acceptance

Allowances have been made to allow certification of invoices for payment of micro-purchases prior to the verification that all items billed have been received and accepted. Each approving official is required to establish a system and related procedures to flag and track all transactions that have been certified for payment without verification of receipt and acceptance. These procedures will ensure that all transactions that have been reconciled and approved for payment will have their receipt verified no later than 45 days after the invoice date. If receipt and acceptance cannot be verified, the card holder shall protect the government's rights by disputing the transaction. A formal dispute must be filed in accordance with paragraph 230407. Further details regarding this process can be found in the Guidebook.

230406. Payment of the Certified Billing Statement

The designated entitlement office will pay purchase card invoices (preferably electronic) upon receipt of the certified billing statement. Attention should be paid to the prompt payment

clock which starts when the invoice is made available to the DoD on the card-issuing bank's website versus other practices when invoices are transmitted to the entitlement office. The entitlement office will ensure that only the amount certified for payment by the certifying official is processed for payment.

*230407. Disputed Transactions

Disputable transactions include but are not limited to those related to reported lost or stolen cards, incidences of compromised card numbers, or transactions initiated by unauthorized third parties. These transactions must be placed into the dispute process and normally will not be paid while in dispute. The cardholder will dispute the transaction as soon as possible, in accordance with the timetable and provisions contained in the bank card contract, the Guidebook, and local procedures.

A. For instances where items appear on the billing statement, but have not been received, the cardholder will contact the vendor to validate that shipment has been made. For cases of non-shipment, items will be officially disputed only if the merchant fails to credit the account in the next billing cycle or the items are not ultimately received.

B. Approving officials will monitor cardholder items billed versus receipt discrepancies to ensure any remaining discrepancies are disputed.

230408. Summary Accounting

To reduce transaction processing fees, DoD activities will summarize accounting data, where systems capabilities are available, to preclude any duplication of lines of accounting (LOAs) before submitting certified billing statements and accounting data to the designated entitlement office. Specifically, DoD activities will "roll up" disbursing data by LOA to eliminate duplicate LOAs on one certified billing statement. Approving officials will ensure complete summarization of billing statements with no duplicate LOAs prior to certification and submission of the billing statements for payment. The level of appropriation data summarization will be consistent with the advance reservation of funds and the data for entry into the accounts payable, disbursing, and accounting systems in order to maintain positive funds control and prevent unmatched disbursements. Match each planned disbursement with a recorded obligation before payment is made, as described in Volume 3, Chapter 8. The following methods will be used to facilitate summary-level accounting:

A. Use the minimum number of LOAs per purchase card to satisfy mission requirements;

B. Develop approving official and cardholder relationships, to the maximum extent possible, which will support summary level billing statements which are comprised of multiple purchase cards citing the same LOA; and

C. Use the object class that is most appropriate for the types of micro-purchases made with the card.

2305 CONVENIENCE CHECKS

*230501. General

Use of convenience checks should be minimized and designated as a purchase instrument of last resort. They should only be used if the vendor offering the goods or services does not accept or does not have the ability to process the purchase card, no other vendor can reasonably be located, and it is not practical to pay for the items using the traditional procurement method.

*A. A discrete account must be set up in order to issue convenience checks. Convenience check and normal purchase card accounts may be issued under a single managing account, but they must not be commingled. The convenience check account and purchase card account transactions appear on the account holder's statement of the approving official's monthly billing statement.

B. Convenience check accounts are provided by the card-issuing bank in accordance with the terms of the contract. The card-issuing banks operate a convenience check writing system that allows DoD activities, including overseas locations, to make selected minor purchases and payments using checks to replace cash for official expenses when card products and other alternatives have been determined unusable. The check providers offer "help desk" assistance and reporting capabilities with a variety of reporting media and frequencies to assist with performing oversight activities.

*C. Each Component will issue instructions concerning the use of convenience checks. Individuals delegated as convenience check account holders will be appointed in writing. At a minimum, the appointment letter should state the specific duties of the check writer, any limitations on the scope of authority (including dollar limitations), and an acknowledgement of the check writer's duties and responsibilities. Convenience checks shall not be used for employee reimbursements, cash advances, cash awards, travel-related transportation payments, meals, or payroll/salary payments. For additional information concerning convenience checks, requirements and restrictions on their use, refer to the Guidebook.

230502. Printed Convenience Checks and Issuing Bank Requirements

The GSA contract provides responsibilities of the issuing bank for convenience check accounts. The issuing bank shall ensure that convenience checks are sequentially pre-numbered duplex documents (one copy for the cardholder's records and the original for the merchant).

*230503. IRS Form 1099 Requirements for Convenience Check Account Holders

The Defense Finance and Accounting Service (DFAS) has tax reporting responsibilities for the DoD, and thus is responsible for reporting to the Internal Revenue Service (IRS) miscellaneous income paid to vendors/contractors. DFAS created the 1099-MISC Tax Reporting Process that convenience check account holders shall use to report payments for "services" and other reportable payments (i.e., rentals, maintenance fees, speakers and interpreters, royalties, attorneys, medical and health) to DFAS for subsequent reporting to the IRS. Convenience

checks written for the purchase of products/goods and/or to tax exempt agencies such as state and local governments, state universities and the United States Postal Service are not required to be reported to DFAS. Refer to the ***DFAS 1099 Tax Reporting Program Convenience Check User's Manual*** for more detail regarding payment types that are and are not reportable to DFAS. Convenience check account holders will need to obtain from vendors, and report to DFAS, the following data via the ***DFAS 1099 Tax Reporting Program***.

A. Payee's name (merchant, vendor, individual, etc.) and legal name (the name by which taxes are filed);

B. If the business is classified as a Sole Proprietorship, then report the business (merchant) information and the Sole Proprietor's name must be provided;

C. Payee's legal mailing address (the address used to file their taxes);

D. Payee's Tax Identification Number (Social Security Number (SSN) or Employee Identification Number (EIN);

E. Check number;

F. Check amount;

G. Payment date (date the check is written not the date the check is cashed);

H. A brief description of the purchase;

I. Telephone number of the merchant; and

J. Convenience check account number.

*230504. Authorizing and Establishing Convenience Check Accounts

Requests to establish an account for convenience checks will be justified in writing and in accordance with the provisions established in the Guidebook. A specific individual must be designated as the account holder responsible for that account via appropriate application forms and, when completed, those forms will be submitted through the DoD activity's existing purchase card hierarchical structure. The number of convenience check accounts will be kept to a minimum and should, in most cases, be limited to no more than one per activity. Additional convenience check account(s) may be established following a written determination by the Commander that another account is necessary to meet mission requirements as prescribed by the Guidebook.

*230505. Conditions for Using Convenience Check Accounts

With the exception of contingency or emergency operations, convenience checks shall not be written over $3,000 for supplies, $2,500 for services, and $2,000 for construction. In the

instance of a declared contingency or humanitarian aid operation, the OUSD (AT&L) will publish the temporary increase in the maximum micro-purchase threshold for those convenience check account holders who have been identified and authorized to support the particular contingency or humanitarian aid operation. Appointment letters must include the increased authorities. Refer to the Guidebook for further details regarding changes to these thresholds and convenience check use. In order to maintain effective internal controls, approving officials (also known as billing officials), accountable officials, and certifying officials will not perform the functions of convenience check custodian or cashier. Additional conditions on the use of convenience checks are as follows:

A. Convenience checks will be issued for the exact payment amount, with a prohibition on splitting purchases, payments, or other amounts among more than one check in order to keep amounts below the micro-purchase threshold or other assigned limits.

B. Convenience checks shall be used for official government purposes only.

C. Convenience checks shall not be issued as an "exchange-for-cash" vehicle to establish cash funds.

D. If convenience checks are mailed to payees, then local internal controls must be in place to avoid duplicate payments being made to them.

*E. The issuing activity is responsible for all administrative costs associated with the use of convenience checks. Fees associated with the use of convenience checks are specified in the GSA contract. At DoD Component election, the costs associated with the purchase of convenience checks may be expressed as a: (a) percentage; (b) number of basis points; or (c) fixed fee.

*F. Convenience checks are negotiable instruments and will be stored in a locked container, such as a safe, where only the account holder has access. Checks will be accounted for by recording transactions as they occur in the check register and/or purchase log to maintain control of number sequence. Local policies and procedures shall be implemented to provide safeguards to prevent physical loss, theft, or potential forgery.

230506. Reconciliation of Convenience Check Accounts

The convenience check account holder will reconcile the billing statement as part of the monthly billing cycle against his or her retained records of issuance in accordance with the standard payment practices established for the purchase card in section 2304.

A. Local policies and procedures shall ensure an annual audit/review of each convenience checking account. This effort will include a sample of convenience check transactions, to include the review of all supporting documentation. It will also include a spot examination to determine the propriety of convenience checks written to individuals. Any suspected cases of fraudulent, abusive, improper, or questionable transactions will be reported to

the appropriate management and investigative authorities in accordance with established policies.

B. The dispute process is not available for convenience checks. Any concerns over a purchase made with a check will be resolved directly with the merchant. The account holder is solely responsible for securing restitution and/or credit on disputed purchases.

C. Stop payments may have an effect on convenience checks, provided the convenience checks have not been posted to the account. The card-issuing bank will provide the ability to stop payment on a convenience check within 24 hours. The stop payment fee will be charged directly to the account.

*2306 EMERGENCY AND CONTINGENCY OPERATIONS

Appendix B to the Guidebook provides the relevant regulatory and related Departmental policies regarding the use of purchase cards in support of emergency, contingency, or humanitarian aid operations. The financial management policies, related to purchase cards as previously identified in this chapter, remain in place for emergency and contingency operations unless otherwise noted.

ANNEX 1 PURCHASE CARD CERTIFICATION STATEMENTS

- The Cardholder (as Accountable Official) certification statement will read:

"I certify that, except as may be noted herein or on supporting documents, the purchases and amounts listed on this account statement:

(1) Are correct and required to fulfill mission requirements of my organization.
(2) Do not exceed spending limits approved by the Resource Manager (RM).
(3) Are not for my personal use or the personal use of the receiving individual.
(4) Are not items that have been specifically prohibited by statute, by regulation, by contract, or by my organization.
(5) Have not been split into smaller segments to avoid dollar limitations."

_____
Authorized Cardholder Signature and Date or Government Accountability Office (GAO) approved electronic signature)

- The AO (as Accountable Official) certification statement will read:

"I certify that the items listed herein are correct and proper for payment from the appropriation(s) or other funds designated thereon or on supporting vouchers, and that the payment is legal, proper, and correct, except as may be noted herein or on supporting documents."

_____
Authorized Approving Official Signature and Date
(or GAO approved electronic signature)

- The Purchase Card Certifying Officer certification statement will read:

"Pursuant to authority vested in me, I certify that this invoice (billing statement) is correct and proper for payment, except as may be noted herein or on supporting documents."

_____
Authorized Purchase Card Certifying Officer Signature and Date (or GAO approved electronic signature)

ANNEX 2 APPROVING OFFICIAL (AO) AND CERTIFYING OFFICIAL MONTHLY REVIEW CHECKLIST

This checklist is for Approving Official and Certifying Official use in completing the cardholder billing statement reconciliation, receipt and acceptance, and dispute procedures prior to certification. The checklist is intended as a reference tool for use in examining the cardholder's purchase card statement received from the card-issuing bank.

Account Number: _____ Account Type: _____

Approving Official Name and Date: _____

Billing Statement Date: _____

Review Steps	Date Completed
Obtain the cardholder statement, supporting documentation, and certification from the cardholder.	
Review purchases for each cardholder to determine whether all transactions were authorized government purchases in accordance with the FAR, DFARS, and all other government agency policy and procedures as applicable.	
Reconcile supporting documentation with details on the billing statement. Also, review for adequacy the purchase log entries for those transactions.	
Resolve any questionable purchases with the cardholder and, if necessary, advise the cardholder to dispute transactions with the card-issuing bank. Annotate disputed transactions on the billing statement.	
Review past transactions that were certified for payment without proof of receipt and acceptance to confirm acceptance and receipt with the cardholder. If receipt cannot be confirmed, then direct the cardholder to dispute the transaction.	
Annotate suspected cases of improper, abusive, or questionable purchases on the billing statement and report such matters to the Agency/Organization Program Coordinator so the transaction can be disputed or investigated as appropriate, and in cases of suspected fraud report the matter to the appropriate investigative office.	
In the case of suspected fraud by government personnel (e.g. cardholder/receiver) document the suspected fraud and notify the appropriate investigative office and the Agency/Organization Program Coordinator so the transaction(s) can be investigated.	
Retain a copy of the billing statement and originals of supporting documentation (e.g., approvals, receipts, logs, invoices, and delivery orders).	
Sign or execute electronically the AO and certifying officer certification statements, and forward the certified statements to the payment office.	