

## CHAPTER 1

GENERAL PROVISIONS COVERING FINANCIAL AUTHORIZATIONS FOR  
CONTRACT PAYMENTS AND COLLECTIONS0101 Introduction010101 Department of Defense Financial Management Regulation

A. This is Volume 10, Contract Payment Policy and Procedures, of the Department of Defense (DoD) Financial Management Regulation (DoD 7000.14-R). This volume provides contractor and vendor payment policy and procedures for DoD disbursing offices.

B. This volume incorporates some of the payment policy and procedures from the Defense Logistics Agency Manual 7000.1; Army Regulation 37-1; Air Force Regulation 177-102; Navy Comptroller Manual NAVSO P-1000, Volume 4; Marine Corps 4200.15F, Marine Corps Purchasing Procedures Manual; and DoD Accounting Manual 7220.9-M. There are different payment systems in use at each of the five Defense Finance and Accounting Service (DFAS) Centers. Each DFAS Center will continue to publish detail guidance, in line with the particularities of their payment system(s), to implement the policy and procedures contained in this volume and required by law. This may include some of the other policies and procedures from manuals and regulations cited in the first sentence of this paragraph. The long-range goal is to incorporate all of the DoD Components and DoD contractor payment manuals and regulations into this Regulation (DoD 7000.14-R). Until the transition is complete, the applicable DoD Components' manual and regulations may be used to supplement this Regulation. In case of conflict between those applicable regulations and manuals, this Regulation will prevail.

C. This volume does not provide desk procedures for any contractor payment system at any of the disbursing offices. Desk procedures will be developed by each DFAS Center which will enable each of them to support their current

payment system(s) until such time as all DoD disbursing offices are operating under the same payment system.

010102 General

A. This volume governs the determination of the propriety for expenditure of funds for materials and services, as well as information for contractor debt collection. Each contracting document should designate the disbursing office which will make the payment on the contract. Unless otherwise stated in writing, only the disbursing office designated by the contracting document may make payment. This volume provides the necessary guidance to the disbursing office to ensure that payments are made properly.

B. See Volume 1 for a list of the definitions used in this Regulation.

010103 Matching of Request for Payments to Obligations and Liabilities Before Disbursements

Specific obligations directly related to each payment must be identified before the payment is made. The undisbursed balance of each applicable obligation must be specifically identified and must be sufficient to cover that obligation's share of the payment before it is made. The undisbursed balance shall be sufficient to cover all entitlements for payments that have been previously scheduled against the obligation.

0102 Contracts010201 General

A. The contracting office that executes a contract or modifies it distributes the copies in accordance with the Federal Acquisition Regulation (FAR) 4.2 and the DoD Federal Acquisition

Regulation Supplement (DFARS) 204.202. Except for contracts specified in paragraph 010201-B and 010201-C, a signed copy is sent to the disbursing office. A signed copy is a complete and accurate copy of the obligating document and includes the date of execution and names and titles of those who sign them. The disbursing office's copy supports the payment and is attached to the retained copy of the payment document. For electronic transmission of information, see Chapter 17 of this volume.

B. For small purchases, as defined in FAR 13.000, the original copy of the purchase order (DD Form 1155, Order for Supplies or Services), will be signed by the contracting officer, and will be sent to the disbursing office. Upon receipt of the material or services, the receiving office forwards one copy of the order to the disbursing office as proof of receipt. After processing as a proof of receipt, disbursing office personnel will attach this copy to the retained copy of the payment document.

C. Authenticated or signed copies of Buy U.S. Here (BUSH) contracts are not required to be sent to the disbursing office. The overseas base contracting officers provide their local disbursing offices with a copy of the BUSH authorized price lists.

#### 010202 Contracting Relationship

Close working relations between the disbursing office and contracting personnel (Procurement Contracting Officer (PCO), Administrative Contracting Officer (ACO), or Termination Contracting Officer (TCO)), are necessary for the timely and accurate handling of financial transactions in contracting and paying for material and services. Functions are so interrelated that disbursing office personnel must be familiar with contracting regulations. These include, but are not limited to the FAR, DFARS, and the Prompt Payment Act (PPA) of 1982, Public Law 97-177, and the PPA Amendments of 1988, Public Law 100-496. The references to contracting policies in this manual are only for guidance to disbursing offices. The contracting manual governs contracting actions.

#### 010203 Number of Payments

A contract or purchase order may be paid on one voucher if all materials or services are received. There is no limit to the number of partial payments that may be made unless the contractual document states otherwise. Except for final payment, partial payments will only be made if payment amount is \$10 or more.

#### 010204 Contractor Invoices

A contractor's invoice represents a bill or written request for payment. To be considered proper, an invoice must contain specified information. Paragraph 070201 lists the criteria for a proper invoice.

#### 010205 Classified Contracts

When a basic contract is classified with a very restrictive and limited need to know, the disbursing office may receive a copy containing the minimum data required for payment. These contracts are sufficient support on which to base payments. Disbursing offices must ensure that classified information is appropriately safeguarded. Payment documents must be processed as if it were a "normal" payment, and before a payment is made, all prescribed documentation necessary for payment must be in the disbursing office.

#### 0103 Quality and Internal Control

##### 010301 Quality Control

The disbursing office will establish a Quality Control function to review their payment process to help ensure that payments are made correctly and in a timely manner. There are numerous quality control issues that will be included in the area of responsibility. As a minimum, the following tasks will be performed:

A. Determine compliance with prescribing regulations and directives.

B. Determine timeliness of responses to internal and external requests.

C. Suggest changes to operating proce-

dures, within regulations and directives, to increase the efficiency of the office.

D. Determine that operating procedures contain ample internal controls and that they are applied in actual operations.

E. Assist in conducting training sessions.

F. Determine the need to follow-up on external audit and internal review reports.

#### 010302 Internal Control

The disbursing office must ensure that written internal controls are in place to preclude improper preparation, certification, and payment of monies, as well as the proper handling of debt collection from contractors or other business entities. Internal control standards are issued by the Comptroller General for use in establishing and maintaining systems of internal control. Those standards are applicable to all operations and administrative functions. However, they are not intended to limit or interfere with duly granted authority for the development of legislation, rulemaking, or other discretionary policy making.

#### 010303 Contract Reconciliation

Upon request, the disbursing office will work with the PCO, ACO, TCO, or the funding station to provide information on dormant contracts. In many of these situations, the actions being requested require the contract administrator to become involved and provide the information rather than the disbursing office.

#### 010304 Electronic Signature

A. Electronic signature is the recommended method of approving vouchers processed through an automated system. If final certification of vouchers is accomplished electronically, the electronic signal or symbol adopted as the certifying officer's electronic signature must be:

1. Unique to the certifying officer.

2. Capable of verification.

3. Under the sole control of the certifying officer.

B. Electronic certification of the final voucher also requires that control procedures be in place to ensure the authenticity of transmitted data, including the electronic signature. Such controls must provide reasonable assurance that deliberate or inadvertent manipulation, modification, or loss of data during transmission is detected.