

CHAPTER 14

**TRANSPORTATION PAYMENTS OTHER THAN FREIGHT
AND PERSONAL PROPERTY**

1401 GENERAL TRANSPORTATION PROCEDURES AND PAYMENTS

140101. General. This chapter outlines payment procedures for transportation services which do not involve freight carriers.

140102. Postal Charges

A. If a contractor is directed by a contracting officer to ship free on board (FOB) origin via parcel post, postal charges are reimbursable. The contractor should list this expense as a separate item on the invoice. Charges are included in accounting records as a part of the cost of material. See paragraph 140104 for reimbursement of postal costs prepaid by the contractor.

B. When postal insurance is paid in good faith, reimbursement is authorized by 17 Comp Gen 325 (1937). This applies only to articles purchased FOB from the contractor's shipping point when such contractor has not been advised that package should not be insured.

140103. En Route Expenses (Drive-Away Carrier). DoD vehicles may be moved by driveaway carrier service. Authorized en route expenses may be incurred for which the carrier is not liable. Shipping transportation officers (TO) have the authority to certify the expenditure of funds up to but not to exceed \$150. Carriers are authorized to incur necessary en route repairs not to exceed \$50, when specified on bill of lading. When estimated repair costs exceed \$50, carrier obtains instructions from the issuing TO. The carrier invoices these costs to the TO at the intended destination. The invoice must include complete reference to the bill of lading, the carrier bill number under which the vehicles were moved, and the authorization to repair. Receipted repair bills and a letter explaining the reason for vehicle repair are required to support payment of the invoice.

140104. Allowable Prepaid Transportation

A. Contractor prepaid transportation is any type of transportation amount authorized in the contract by the contracting officer which is to be prepaid at free on board (FOB) origin by the contractor for reimbursement on the contractor's invoice. Included are the contractor's prepayment of commercial bills of lading, postal, shipments, and shipments by small package or other carriers.

1. Contracting officers rely on the traffic management officer for transportation management assistance and advice. Contracting officers should be aware of all

contract costs affecting a contract or order. These include costs that will be charged under a contract for contractor prepaid transportation. Authorization of prepaid freight by the contracting officer presumes a known or estimated cost, a known or estimated cost savings, or a known advantage of using contractor prepaid transportation in place of a GBL or FOB destination shipping.

2. 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). The contractor is authorized by the contracting officer to pay transportation on behalf of the government. The contractor pays for shipping on a commercial bill of lading, other commercial form, or through the postal system. The contractor bills 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 as specified in paragraph 140105.

3. Contractor prepaid transportation is not authorized within overseas areas. A contractor, however, may be reimbursed for prepaid transportation within the U.S. to a stateside port of embarkation for further shipping by government means to the overseas area.

4. GSA audits cost-reimbursement contractor prepaid freight charges. Title 41, Code of Federal Regulations (CFR), 101-41.807-4, requests Federal agencies to require contractor to send copies of cost-reimbursement contract paid freight bills to the GSA for audit. Contracting officers require contractors to submit copies of paid freight bills to the GSA as required by the Defense Federal Acquisition Regulation Supplement. The GSA collects excess freight costs from the carrier after audit.

5. GSA does not audit fixed-priced contractor prepaid freight charges. There is no GSA requirement for Federal agencies to require contractors to send copies of fixed-priced prepaid freight bills to the GSA for audit.

6. Contractor prepaid freight costs are obligated as a cost of the contract.

7. Contractor prepaid transportation cannot exceed 150 pounds of weight by commercial air or 1,000 pounds by other commercial carriers. (See FAR 42.1403-2(a)). If these weights are exceeded, the contract must contain language which will allow reimbursement to the contractor.

8. Premium contractor prepaid transportation must be authorized by the contracting officer.

B. Reimbursement policy for cost-reimbursement contracts. Reimburse the cost presented in accordance with the terms of the contract provided the receipt requirements of paragraph 140105 are met.

C. Reimbursement policy for fixed-priced contracts. Reimburse the cost presented in accordance with the following:

1. A prepaid transportation cost, regardless of the amount, that covers the amount presented for reimbursement must be stated in the contract
2. Receipt requirements of paragraph 140105 have been met.

140105. Receipt Requirements

A. Reimbursement to contractors for freight charges of \$25 or less may be made without a receipt.

B. A contracts clause should be included requiring a freight receipt when freight charges are over \$25. This requirement is applicable regardless of the mode of transportation used. However, if the contract language disagrees with the \$25 figure, pay in accordance with the receipt requirements stated in the contract. If the contract does not require a receipt and the transportation charges is greater than \$25, any charge over \$25 requires a receipt from the contractor before reimbursement is made.

1. Receipts are required to substantiate a contractor's claim for reimbursement.
2. Contractors should support prepaid transportation charges with evidence of payment to the carrier. Evidence of payment is a receipted freight bill or commercial bill of lading (CBL) stamped or marked "To Be Prepaid" showing the charges received for by the carrier. If this is not present, the CBL must bear a notation of the contractor's check number and the date paid.

C. Contractors directed to prepay freight may maintain charge accounts with companies specializing in delivery of small parcels. These companies usually offer daily pickup service and limit the size of parcels accepted. They base charges on weight and zone-rate charges published by the carrier.

1. If a receipted freight bill is not available, 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 over the material to a particular shipper.

2. The contractor then must support either of these documents with a copy of the transportation company's invoice. Additionally, the contractor must provide a statement that the charges have been paid.

D. Claims for Other Than Actual Prepaid Transportation Cost. This covers prepaid transportation cost (constructive transportation cost) which is not the actual amount expended by the contractor but represents a constructive cost not more than the cost that would have been incurred under contract shipping instructions. In these instances, invoices must be supported as follows.

1. Example A. More units than a DoD activity ordered are shipped by the contractor under one CBL to a central point for contractor distribution to the DoD activity and other consignees. Support this with a photostatic or comparable copy of the freight bill covering the entire shipment. This supports the prorata portion of the total charges prepaid on any single unit shipped.

2. Example B. Premium transportation is used for contractor convenience and reimbursement claim is limited to the crated rate for regular surface transportation. The contractor must:

a. Support this with a photostatic or comparable copy of the paid freight bill by the method actually used for shipment.

b. Provide a full explanation as to how the charges to the Department were computed, including the name of the carrier that would have been used had the shipment moved by regular surface transportation, the crating weight of the shipment and the rate per 100 pounds (or other comparable unit of measurement) in a way that permits computation of the charges that would have been incurred had the shipment moved by regular surface transportation.

3. Contractors Using Their Own Transportation Equipment. If a contractor makes delivery of shipment using transportation equipment wholly owned and operated by the contractor, a receipted paid freight bill is not required provided the charges:

a. Are based on prevailing commercial freight rates and do not exceed the costs of comparable GBL or CBL shipments as determined by paragraph 140104.

b. Are separately identified on the contractor's invoice.

140106. Freight Charges Liability

A. Maximum government liability for freight charges under a material contract is fixed by the FOB point. Liability cannot be greater than cost actually incurred. Transportation costs are included in contracts for material delivered FOB destination and should not be paid.

B. Excessive Freight Charges. Freight costs incurred by a contractor that

exceed costs from the FOB point specified in the contract are not reimbursable (3 Comp Gen 56 (1923) and 18 Comp Gen 953 (1939)).

C. Increased Freight Charge Liability

1. Change of shipping point for convenience of the contractor from the FOB point named on the contract does not increase the government liability for freight costs. The government is not obligated for increased freight costs even though the destination point was undetermined at the time of issuance of the change order (28 Comp Gen 653 (1949)).

2. Where the original contract was FOB origin, and the TO changes the destination point, the government is held liable for all excess freight cost.

3. If the contractor changes the shipping point, thereby increasing the freight costs, the contractor is liable for these increased freight costs (9 Comp Gen 368 (1930)).

4. Excess freight charges are determined by the contracting officer or the local TO and any prescribed adjustments are made by the disbursing office making contract payments.

5. Excess transportation charges are to be paid by the contractor.

6. The GSA, in its applicable commercial account, acts to reclaim excess transportation costs from contractors.

7. When a contractor prepays a shipment in error, payment of shipment charges may be made to the contractor after receipt of contract modification. The payment may not exceed the cost which would have been incurred by the government. Normally, the prepaid freight receipt is attached to the voucher. See paragraph 140105 for exceptions.

8. Any premium transportation (overnight delivery, first class mail, air freight, etc.) to be paid by the government must be authorized by the contracting officer.

9. Premium transportation for the medical fund authorized on Defense Personnel Support Center decentralized blanket purchase agreements is paid from operating funds. Authorized contractor prepaid premium transportation is reimbursed on FOB origin contracts (FAR 47.304-1g (4)) under the procedures in paragraph 140104.

140107. Payment Procedures for DD Form 652 (Meal Ticket)

A. Paying DD Forms 652. The contractor submits the original meal ticket(s), DD Form 652, attached to an invoice. Payment will be made using an SF 1034. Payment cannot exceed the number of meals nor the price set forth on each meal ticket. Each meal ticket is shown on the SF 1034. Before payment, check the meal ticket for 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. Anyone who alters a meal ticket after it has been issued must initial and date the alteration. Charge the appropriation and allotment cited on the meal ticket with the payment amount. Do not require copies of travel orders. If more than one meal ticket is billed, it is not necessary for the contractor to complete the certificate on each meal ticket if the numbers of all the DD Forms 652 are listed. In such cases, the contractor should type and sign a certification statement and attach it to the invoice. These payments are due 30 days after they reach the disbursing office. Interest is due on late payments. Report these transactions on the PPA report as subject to PPA.

B. Lost or Destroyed DD Forms 652. When a contractor loses or inadvertently destroys a meal ticket and the facts establishing that the service was furnished are clear, the issuing officer prepares and issues a certified true copy of the original from the retained duplicate copy. The contractor uses this certified true copy to bill the DFAS--IN Directorate of Transportation Payments.

1402 GENERAL ACCOUNTING OFFICE

140201. Adjustments by the General Accounting Office (GAO). A contract may specify that the contractor will deliver at a designated FOB point, but with a provision that the government may direct delivery to be made at other points. When deliveries are made at points other than the designated FOB point, an adjustment in the contract price will be made that corresponds to the resulting increase or decrease in the amount of freight charges. However, the disbursing office should not make an adjustment on the amount of the freight charges if deliveries are made to places other than the FOB point. The disbursing office should not make an adjustment to freight charges when a contractor contends that it paid transportation expenses which the government was obligated to pay. The disbursing office cannot deduct for potential excessive freight charges paid by the government. Such adjustments must be submitted to the respective DFAS Center legal counsel for referral to the GAO for direct settlement as claims (8 Comp Gen 500 (1929) as distinguished by Comp Gen Decision B-17178, June 9, 1941).