

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 distinguish 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 5 and 9. 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;

and

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

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 addition 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 Undefined 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](#).

Substantive revisions are denoted by an [asterisk \(*\)](#) 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 [October 2012](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
020206	Added a definition of “Liquidated Damages”.	Addition
020301.J	Added language clarifying the requirements for tracking and monitoring discounts lost or not taken.	Addition
020301.K	Added language to clarify supporting documentation requirements.	Addition
020302.B	Added language to identify the three types of rebates/refunds.	Addition
020302.C	Clarified the terminology regarding the comparison used to determine and publish Government Purchase Card (GPC) payment dates.	Revision

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CHAPTER 2

DISCOUNT OFFERS AND REBATES/REFUNDS

0201 GENERAL

020101. Purpose

This chapter prescribes the policy for [payment](#) discounts and government purchase card (GPC) rebates. Travel card rebates are addressed in Volume 9, Chapter 3. 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. [Authoritative Guidance](#)

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

[As defined in](#) 5 CFR 1315.2(n), a discount is an invoice payment reduction offered by the vendor for early payment.

020202. Discount Date

[As prescribed by](#) 5 CFR 1315.2(o), the discount date is the date by which a specified payment reduction, or discount, may be taken in accordance with the discount terms.

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 [would](#) begin on the date a proper invoice is actually received and date stamped or otherwise annotated by the designated agency office [in accordance with](#) 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 [as prescribed in](#) 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 [Bureau of the Fiscal Service \(Fiscal Service\) *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 calculated as follows:

$$\begin{array}{rclcl} \text{Discount \%} & & \times & \text{Annual Calendar days (360)} & = & \text{Effective} \\ 1.00 - \text{Discount \%} & & & \text{Number of Days} & & \text{Annual} \\ & & & \text{In the Payment} & & \text{Discount} \\ & & & \text{Period} - (\text{MINUS}) & & \text{Rate} \\ & & & \text{Number of Days} & & \\ & & & \text{Left in Discount Period} & & \end{array}$$

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 [referred to](#) as the payment office.

*020206. Liquidated Damages

As provided for in [FAR Subpart 11.5](#), an agency may establish in a contract a predetermined rate of liquidated damages to be paid in the event of an unexcused delay in performance or delivery, or a breach of contract. Liquidated damages are paid by the contractor and are used to compensate the agency for probable damages associated with the unexcused delay or breach. Liquidated damages are not punitive or negative performance incentives.

020207. Rebate/Refund

As defined by 5 CFR 1315.2(aa), a rebate is a monetary incentive offered to the DoD by GPC issuers to pay monthly GPC billing statements early. The current General Services Administration contract offers productivity refunds based on timeliness and/or frequency of payments and sales refunds based on the dollar volume during a specified period. [A corrective rebate is done to correct improper or erroneous payments or for an invoice adjustment.](#) The terms “rebate” and “refund” have been used interchangeably throughout the CFR, OMB guidance, and existing legislation. [See \(OMB\) Circular A 123, Appendix B, Chapter 7, for more information on productivity, sales and corrective refunds.](#)

020208. Trade-in

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

020209. 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 [Fiscal Service FMS website](#) for current and historical CVFR rates.

0203 POLICY

*020301. Discounts

A. [As prescribed by 5 CFR 1315.7\(a\)](#), 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. [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. [Entitlement](#) offices [must](#) 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 [payment due date](#) 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 2015 (2/10 net 30, with 4 days remaining in the discount period). $(.02/1-.02 \times 360/30-4 = 28.3)$ This example is advantageous to the DoD because the calculated effective annual discount rate of 28.3 percent exceeds the year 2015 CVFR of 1 percent. DoD Component payment systems [should](#) incorporate procedures that take advantage of cash discounts as a matter of routine, which eliminates any need for special handling. Such discounts [must](#) 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 [must](#) not be taken when the payment is made after the discount date. [As prescribed by 5 CFR 1315.7\(b\)](#), when an agency takes a discount after the discount

date, interest **must** 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 follows:

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](#) or Defense Federal Acquisition Regulation Supplement [252.217-7009](#), and liquidated damages apply.
 - a. Where liquidated damages apply, and the contract or invoice also contains an offer of a discount for early payment, 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 a discount for early payment, compute the discount based on the modified price without regard to [the liquidated damages](#).

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. When the discount terms have been met, take the discount against the amount of the gross invoice. If the discount date is not met, take the discount against the amount of the liquidation. The discount still applies to the liquidation portion of the payment even in instances in which the discount period has expired on the balance due on the partial delivery.

2. 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.

3. 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.

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

* J. Components need to be cognizant of the amount of discounts lost, or not taken, as part of their overall payment operations. Tracking discounts lost can provide additional insight into the efficiency and effectiveness of payment operations, and identify opportunities to take advantage of limited budgetary resources by increasing the amount of discounts received. Necessary entitlement or disbursement system capabilities should be in place to identify and periodically report to management on the discounts lost to allow management to assess and take appropriate corrective actions as deemed necessary.

* K. Components must ensure that documentation supporting the discount transactions are retained in accordance with Volume 1, Chapter 9 and are readily available to support future audit efforts. The documentation must be of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the entitlement and the determination of a discount.

*020302. Rebates/Refunds

A. The terminology rebate and refund are used interchangeably in this paragraph. Components should have internal controls and procedures in place to allow them to maximize the sales and productivity refunds and to identify and collect the corrective rebates.

The documentation supporting the transactions associated with the rebates/refunds should be maintained and readily available to outside auditors as necessary.

* B. As stated in OMB Circular A-123, Appendix B, Chapter 7, a refund is a monetary payment provided by a charge card contractor to the Component entity as stated in the contract. The three types of refunds are:

1. Sales refunds, which represent payments from the charge card contractor to the entity based on the dollar or “spend” volume during a specified time period.

2. Productivity refunds, which represent payments from the charge card contractor to the entity based on the timeliness and/or frequency of payments made to the contractor.

3. Corrective refunds, which are payments from the charge card contractor to the specific billing agency to correct improper or erroneous payments or an invoice adjustment.

* C. 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 Defense Finance and Accounting Service shall determine and publish GPC payment data that compares the Current Value of Funds (CVF) to the rebate discount points, for the payment cycle day. This data should be used to assist Components in performing a cost and benefits analysis as part of their consideration of 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 basis points offered by the card issuer and the corresponding 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.

D. DoD Components may use the Fiscal Service [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 basis points offered by the card issuer are derived), and the amount of money owed. If the DoD Component elects not to use the spreadsheet, a manual computation can be performed as described in 5 CFR 1315.17.

E. The contractor is required to calculate the rebate and return that amount to the DoD customer designated in the contract. DoD Component entities subject to the receipt and use of the rebates/refunds must employ the necessary internal controls and procedures to ensure that rebates are received when due as per the terms of their GPC contract, and that the rebates received from the contractor are calculated properly.

F. 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

GPC 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 [12](#) 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 asterisk (*) 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 2012](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
040101	Added a definition of advance miscellaneous payments for the purpose of this chapter.	Addition
040101.A, B	Identified other chapters covering advance payments and their specific focus.	Addition
040102	Added language addressing the requirements for authorized submission of payment requests and follow-up, to include supporting documentation, Tax Identification Number, electronic and digital signatures for approving and certifying officers, auditability, record retention, receipt and acceptance, and required controls for liquidation of the advance payment.	Addition
040201 (previous version)	Deleted policy related to contracts not considered miscellaneous advance payments.	Deletion
040202 (previous version)	Deleted policy related to contracts not considered miscellaneous advance payments.	Deletion
040202	Added policy for advanced payment of child care services.	Addition
040203	Added language clarifying subscriptions to periodicals must cover no more than one year from the same fiscal year appropriation.	Addition
040204.A	Added language clarifying the use of the Standard Form 182 for advance tuition payments.	Addition
040204.B	Added language clarifying the liquidation of advance payments for tuition.	Addition
040301	Added language clarifying the policy regarding advance payments for intra-governmental transactions and the requirement to use the Intra-governmental Payment and Collection (IPAC) system.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
040302	Added policy reference authorizing one Federal agency leasing space from another Federal agency.	Addition
040303	Added clarifying language for processing of payments through IPAC for printing and binding deposit accounts, and provided websites for obtaining forms to open and maintain deposit accounts.	Addition
040304	Added policy reference to Title 40 United States Code (U.S.C.), Section (§) 581(g), which authorizes the General Services Administration to bill tenants for building rent in advance.	Addition
040305	Added policy reference for the advance payments of Post Office box rentals (Department of Defense (DoD) 4525.8-M), and the requirement to use the IPAC system as the preferred method of payment (Title 41 Code of Federal Regulation (CFR) 102-192.50).	Addition
040402	Added language clarifying the administration and oversight of advances for meetings and conference attendance. Also added clarification regarding reimbursement for meetings and conferences paid for, but not attended.	Addition
040403 (previous version)	Deleted policy related to library deposits since those services are no longer available.	Deletion
040403	Added the reference to Federal Acquisition Regulation (FAR), Subpart 32.409-3(e) for advance payments made to state and local governments.	Addition
040404	Added policy references for petition of immigrant status and guidance for remittances to United States Department of State and Foreign Service posts (22 CFR, Part 22).	Addition
040405	Added language clarifying that advance payments for memberships in professional societies must include verification of membership.	Addition
040406	Added policy references to Title 10 U.S.C. § 2386, FAR, Part 27, and Defense Federal Acquisition Regulation Supplement (DFARS), Part 227 requirements for purchase of copyrights or license to use patents.	Addition
040407	Added policy references to support an advance payment for utility connection charges to FAR, Subparts 41.1 and 41.2, DFARS, Section 242.202, and FAR Clause 52.241-9.	Addition
040408.A	Added policy references for imprest funds (Volume 5, Chapter 2, and FAR, Section 13.305).	Addition
040408.C	Added policy references for counsel fees and other expenses in foreign courts (32 CFR 845) and the authorization of payment in foreign currency.	Addition

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CHAPTER 4

MISCELLANEOUS ADVANCE PAYMENTS

0401 GENERAL

*040101. Purpose

This chapter prescribes policy for the entitlement and payment of miscellaneous advance payments. Advances do not include payments for which performance has occurred. Miscellaneous advance payments addressed in this chapter represent a current outlay of funds to Department of Defense (DoD) employees, other Federal Government agencies, and non-Federal entities before receipt of the items or services for which the payments were advanced. Miscellaneous advance payments in this chapter include many of those identified as exclusions in the Federal Acquisition Regulation (FAR), Subpart 32.4. Refer to Chapter 10 for the entitlement and payment of advances to contractors under contract financing arrangements governed by the FAR Subpart 32.4 and the Defense Federal Acquisition Regulation Supplement (DFARS), Subpart 232.4.

* A. Volume 4, Chapter 5 prescribes policy for the accounting and reporting of advances and prepayments for cash or other assets disbursed under a contract, grant, or cooperative agreement before goods or services are provided by the contractor or grantee.

* B. Volume 11A, Chapter 3 and Volume 11A, Chapter 18 prescribe policy for goods or services procured from other Federal agencies where the DoD is specifically authorized by a specific appropriation or law to advance funds.

*040102. Authoritative Guidance

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

A. Use of electronic submissions is preferable when requesting payment in advance. The electronic request for payment must contain all elements of a proper invoice (Title 5 Code of Federal Regulations (CFR), Part 1315.9(b)(1)).

B. All claimants that are subject to the United States (U.S.) Internal Revenue Service (IRS) code must provide a Tax Identification Number (TIN) in accordance with Title 31 U.S.C. § 3325(d). Refer to Chapter 6 (paragraph 060204.B) for contractor, vendor or individual payee requirements to enroll in the System for Award Management (SAM), and to provide a valid TIN as part of a proper invoice prior to payment.

C. All advance payment requests must be submitted in accordance with the DoD and Component's submission policies and procedures using a vendor invoice, Standard

Form (SF) 1034, Public Voucher for Purchases and Services Other Than Personal, or an electronic equivalent.

D. Personnel may use electronic and digital signatures to approve and certify financial documents processed through automated information systems (Volume 5, Chapter 1, paragraph 010305.C).

E. All advance payments must be approved by a designated approving official and a properly appointed certifying officer prior to disbursement to ensure that the information on the vouchers agrees with all supporting documentation. A properly appointed certifying officer also certifies that the vouchers are correct and proper for payment from the appropriation(s) or other funds cited on them or on supporting vouchers, and that the proposed payments are legal, proper, and correct (Volume 5, Chapter 5).

F. To ensure auditability, and to validate entitlement systems' payment records, a copy of all supporting documentation must accompany each advance. Refer to Volume 1, Chapter 9 for financial records retention policy. Certifying officers are responsible for retention of all payment documentation (Volume 5, Chapter 5).

G. A prevalidation process must occur that matches the proposed advance payment to the obligation of funds recorded in the accounting records prior to the disbursement of the advanced payment (Volume 3, Chapter 8). Refer to 31 U.S.C. § 1501 for documentation required to record the obligation, and 31 U.S.C. § 1502 prescribing that the appropriation or fund is not available for expenditure for a period beyond the period otherwise authorized by law.

H. Agencies/organizations requesting and approving miscellaneous advance payments must ensure that the advance payment does not exceed the value of the items/services being procured.

I. Components must ensure controls are in place for the liquidation of advance payments and assigns responsibility for the performance of timely follow-up actions to validate and document the items/services for which the advances made were actually received and met the organization's requirements. This effort is required before the advanced payment can be liquidated. Differences encountered must be resolved timely and may include the establishment and collection of debts from members, employees, commercial or federal and state entities as appropriate.

0402 STATUTORY ADVANCE PAYMENTS

040201. General

Specific legislation authorizes statutory advance payments.

*040202. Child Care

Amounts may be paid in advance to licensed or regulated child care providers for services to be rendered during an agreed period ([40 U.S.C. § 590\(g\)\(4\)](#) and [10 U.S.C. § 1791-1800](#)). Authorized advance payments for child care services in an approved program in areas where the DoD provided child care is not available must include a copy of a signed contract between the family and the child care provider outlining the establishment of fees to support the payment ([DoD Instruction 6060.02](#)).

*040203. 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 the current FY. The subscription may cover deliveries extending into the subsequent year; however, the authorization of payments may not cover more than one year's (i.e., 12 months) subscription from the same fiscal year appropriation.

*040204. 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 and military personnel, and [10 U.S.C. § 2396\(a\)\(3\)](#) authorizes advance tuition payments for military personnel of friendly foreign countries. Advance tuition payments are payable when an educational institution requires payment at the time of enrollment.

* A. [Advance Payment](#). The [SF 182](#), Authorization, Agreement and Certification of Training, must 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 the purchase of books, library, and laboratory services. The SF 182 must be submitted to the entitlement office to support the advance payment and must be signed by the appropriate approving and certifying officers prior to being paid.

* B. [Liquidation of the Advance Payment](#). As stated in paragraph 040102.I, certain controls need to be in place to liquidate the advance payment. Part of those controls involving tuition payment advances must include obtaining documentation that demonstrates and documents that the student successfully completed the training that was previously paid for. In the event the student owes the DoD, the Component must collect any outstanding amount due and prepare and forward a DoD ([DD Form 1131](#)), Cash Collection Voucher, to the designated disbursing office to complete liquidation of the advance payment.

040205. Advance Payment Authority for Other Type Payments

[Title 10, U.S.C. § 2396](#) authorizes advances of federal 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 INTRA-GOVERNMENTAL ADVANCE PAYMENTS

*040301. General

A. Agencies may make intra-governmental payments in advance of the performance in the areas identified in this section. Unless the DoD Component is specifically authorized by law, legislative action, or Presidential authorization, funds are not to be advanced to non-DoD Federal entities or used to pay for advance billings without the receipt of goods or services. Volume 4, Chapter 5 covers the conditions and requirements related to advances and prepayments. For those few exceptions where DoD is specifically authorized by a specific appropriation or law to advance funds, the specific appropriation or law authorizing the advance must be cited on the obligating and/or interagency agreement documents and orders (Volume 11A, Chapter 18).

B. DoD Components must submit an SF 1080, Voucher for Transfers Between Appropriations and/or Funds, or its electronic equivalent, that is certified by an appointed certifying officer. The servicing agency must process the advance payments using Treasury's Intra-governmental Payment and Collection (IPAC) system (Treasury Financial Manual, Volume 1, Part 6, [Chapter 4000](#)). Refer to the Department of the Treasury [Interagency Agreement Guide](#) for more IPAC guidance. Components must establish follow-up actions and controls to liquidate the advance payment as prescribed by the Treasury Interagency Agreement Guide for receipt and acceptance for the items/services as stated in paragraph 040102.I.

*040302. Leased Office Space

The Federal Management Regulation Subchapter C, [Section 102-73.10](#) prescribes policy for Federal agencies to seek space in government-owned and government-leased buildings. With approval from General Services Administration (GSA), one federal agency can lease from another federal agency a portion of its leased office space (Federal Management Regulation, Subchapter C, [Section 102-73.60](#)). The parties may enter into an agreement to include a lease payment made in advance or on any other basis agreed upon for the proportionate cost of the space, utilities, and services furnished.

*040303. Printing and Binding and Deposit Accounts

Title [44 U.S.C. § 310](#) authorizes advance payments for printing, binding or supplies ordered from the U.S. Government Publishing Office (GPO). The servicing agency must process the advance payments using IPAC to establish deposit accounts. The [GPO](#) website provides

instructions on how to create a deposit account by submitting a [GPO Form 4045](#), Deposit Account (Printing and Binding) Form. GPO forms for order placement are listed at [GPO Forms](#).

*040304. Advances to General Services Administration for Special Purpose Leased Space

Title [40 U.S.C. § 581\(g\)](#) authorizes GSA to bill tenants for building rent in advance. The charge is a fixed rate per square foot of space assigned based on costs of building operation and maintenance. There is no requirement to itemize separate cost factors for utilities, rent, or elevator service on the bill.

*040305. Rental of Post Office Boxes

The DoD authorizes advance payments to the U.S. Postal Service (USPS) for post office box rental on an annual basis ([DoD 4525.8-M](#)). All fees for post office box service are for a six-month period. A fee is payable for two periods at a time, not to exceed two consecutive six-month periods. Federal Agencies whose payment period coincides with the Federal fiscal year may pay their box fees during the first quarter. The USPS will refund a portion of the rental when the box is surrendered before the end of the rental period. In complying with the requirements of [41 CFR 102-192.50](#), the following methods are available when processing advance payments for box rentals:

A. The U.S. Treasury IPAC payment process associated with the Official Mail Accounting System;

B. The USPS Centralized Account Processing System (CAPS) associated with commercial payments;

C. Another Treasury approved means of paying the USPS; or

D. Payments made to service providers other than USPS must be made by U.S. Treasury payment methods such as automated clearing house-electronic funds transfer, or another Treasury approved means of paying the vendor.

0404 OTHER ADVANCE PAYMENTS

040401. General

Other advance payments not prohibited by 31 U.S.C. § 3324 are identified in the following paragraphs.

*040402. Attendance at Meetings and Conferences

A. Components may authorize payment of registration fees prior to attendance at meetings of technical, scientific, professional, or similar organizations. Refer to

the [DoD Conference Guidance 2.0](#) for the administration and oversight of all conferences, including those conferences that the DoD hosts and those that DoD personnel attend.

B. DoD civilian employees and uniformed service members may attend and participate in conferences or meetings and recognized professional organizations to maintain and improve professional competency at the government expense, subject to the availability of funds, specific management approvals, and the employee's or member's work responsibilities. Conference attendance expenditures, which contribute to improved conduct, supervision, or management of the DoD Components' functions and activities, may be authorized as prescribed by the Joint Travel Regulations, Uniformed Service Members and DoD Civilian Employees, [Appendix R](#). Documentation supporting the approval must accompany the request for advance payment (SF 1034 or electronic equivalent). The request for advance payment must be approved by a management official prior to submission to the certifying officer.

C. If the payment is non-refundable and the individual fails to attend for reasons beyond their control, then do not collect registration fees from the individual. If an individual's failure to attend the event is due to a reason deemed inexcusable by the DoD Component concerned, then the individual must repay the amount advanced. If an individual does not make a voluntary settlement of indebtedness, the Component must take action to collect the outstanding advance from money due the employee or member. Policies and procedures for salary offset to collect debts owed to the Federal Government by military members or civilian employees are in Volume 7A, Chapter 50; Volume 7B, Chapter 28; and Volume 8, Chapter 8.

*040403. Payments to State and Local Governments

Based on established responsibility, authorized advance payments to state and local governments for goods and services reduce the possibility of a minimum loss to the Federal Government. The [FAR, Subsection 32.409-3\(e\)](#) authorizes advance payments to the state or local government furnishing non-commercial services reasonably available only from the state.

*040404. Petition Fees

When submitting a petition 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 to the U.S. Department of State ([22 CFR, Part 22.1 - 22.7](#)). Title [22 CFR, Part 22.3](#) prescribes remittances in the U.S. and [22 CFR, Part 22.5](#) prescribes remittances to Foreign Service posts.

*040405. Professional Societies

When approved, membership dues or fees in professional societies or associations acquired for the benefit of the DoD Component are payable 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 must make the determination of the membership requirement. Appropriated funds expended for memberships must benefit the Component, not the individual officer or employee of DoD. The individual employee must provide verification of membership to validate the advance payment.

*040406. Purchase of Copyrights or License to Use Patent for its Life

Components may authorize an advance payment for a license to use a patent or to purchase the copyright. The FAR, Part 27 and DFARS, Part 227 prescribe the policies, procedures, solicitation provisions, and contract clauses pertaining to patents, data, and copyrights. The subject matter of the purchase must be within the authorization of the current FY appropriation (10 U.S.C. § 2386).

*040407. Utility Connection Charges

As prescribed by FAR, Subparts 41.1 and 41.2, FAR clause 52.241-9, and DFARS, Section 242.202, payment for a utility service account activation fee or connection charge is allowable. Connection charges, whether refundable or non-refundable, are to be paid by the Government to the utility supplier for the required connecting facilities, which are installed, owned, operated, and maintained by the utility supplier. If the connection charges are refundable, they are considered an advance payment and the Government recovers the connection charges through reimbursements by a specified monthly refund/credit on the service billings for utility charges.

*040408. Foreign Country Related Advances and Requirements

* A. Postage. Components may authorize the purchase of foreign postage stamps for contingency or classified operations from imprest funds (Volume 5, Chapter 2 and the FAR, Section 13.305) or by an SF 1034. When using an SF 1034, the originating office prepares the voucher, which requires the approval by the appropriate approving and certifying officers, 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.

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 require an advance payment. A tour of duty in a foreign country justifies the expenditure.

* C. Counsel Fees and Other Expenses in Foreign Courts

1. Payment of counsel fees and other service related expenses in foreign courts may require an advance payment (32 CFR 845).

2. Requests for payment of counsel, bail, or other expenses ordinarily are the burden of the defendant or the accused, to the officer (or designee) exercising general court-martial jurisdiction. The officer (or designee) must determine if the request meets the proper criteria and take final approval or disapproval action.

3. When appropriate, contracts or letters of commission and understanding [are instruments that](#) obligate the Government for payment of counsel fees, court costs, bail, and [other](#) 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 [an authorized expenditure \(32 CFR 845.5\)](#). Payment for bail is a requirement when [stated in an authorizing letter or message issued](#) by the responsible officer and citing [10 U.S.C. § 1037](#) as the authority. Members must sign an agreement to refund to the government the amount of the bail [prior to](#) posting of bail ([32 CFR 845.10](#)). In the event [the defendant forfeits bail, the individual will be held liable to reimburse the DoD](#) either in cash or by payroll deduction via a [DD Form 139](#), Pay Adjustment Authorization (Volume 7A, Chapter 50).

4. When the responsible officer certifies [an acceptance for legal services and related expenses necessary for the representation of the defendant \(32 CFR 845.8\)](#), an SF 1034, or electronic equivalent, must be prepared for the advance payment of authorized charges. Payment will be in local currency of the foreign government.

DoD 7000.14 - R



DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 10: “CONTRACT PAYMENT POLICY”

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**

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 **asterisk (*)** 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 2012** is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
060102.B	Clarified the policy concerning communication excise tax exemptions, Federal highway vehicle use tax exemptions and exemption certificates.	Addition
060102.C (prior version)	Deleted the section “Sales of Commodities or Facilities” since the basis for the existence of this policy cannot be supported by the Defense Finance and Accounting Service (DFAS) tax office. Similar policy related specifically to fuels is included in paragraph 060301.E.	Deletion
060102.C	Clarified policy concerning the hierarchy of applicable tax related regulations and added the DFAS tax office contact information.	Addition
060102.E (prior version)	This was deleted since it is applicable to Nonappropriated Fund Instrumentalities which are covered in Volume 13.	Deletion
060202	Deleted the prior policy statement that the National Guard is considered a state agency for tax purposes since it is incorrect. The National Guard does qualify for Federal excise tax exemptions.	Deletion
060204.A	Clarified policy concerning tax-related actions and resolutions regarding contractors, vendors and individual payees with tax-related payment requests.	Addition
060204.C	Clarified the policy to state that incorrect or questionable Internal Revenue Service (IRS) Form 1099s should be directed to the DFAS Tax Office.	Revision
060205	Added reference to the General Services Administration SmartPay Web site.	Addition
060206	Revised reference from TRICARE to Defense Health Agency and clarified DFAS responsibilities.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
060206.F (prior version)	Removed as a duplication of 060206.A.	Deletion
060208	Clarified policy pertaining to Third-Party Payors' responsibilities.	Revision
060209	Clarified policy concerning the failure of a payee to provide certain tax related information for convenience checks and the use of the IRS Form W9.	Addition
060301.D (prior version)	Removed as a duplication of 060301. Renumbered other sub paragraphs.	Deletion
060402	Clarified policy regarding taxes involving fuel purchases.	Revision
060403 (prior version)	Removed the section involving bulk purchases of fuel since it was incorporated into paragraph 060402.	Deletion
060403	Clarified policy involving state and local taxes on leases and rentals.	Revision
060404 (prior version)	This paragraph was deleted since it is applicable to Nonappropriated Fund Instrumentalities which are covered in Volume 13.	Deletion
060501	Clarified policy regarding United States (U.S.) Customs Duties on foreign purchases.	Revision
060502.D (prior version)	Removed the paragraph related to Canadian excise taxes payable since the content is not related to the Joint Defense Program.	Deletion
060602	Clarified policy on Foreign Taxes to include information concerning legal counsel.	Revision
060603	Clarified that the policy stated within the paragraph is related to federal taxes.	Revision
060604	Clarified policy involving environmental assessments levied by local governments to include the need to consult with counsel before payment of the assessment.	Revision
060605	Clarified policy concerning the IRS Form W9.	Revision
060701.A	Clarified policy concerning when an IRS Form 1099 must be provided.	Revision
060701.B	Clarified policy to provide reference to Chapter 12 and the policy concerning utilization of the appropriate payment system.	Revision
060702.A	Clarified the policy to specify that it is applicable to services.	Revision
060702.D	Clarified that the reporting of convenience check information is to be done monthly and provided the email address for the DFAS Tax Office.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
060703.A.5	Clarified policy pertaining to which U.S. territories are subject to IRS information reporting.	Revision
060703.B.8 (prior version)	Removed reference to payments to government employees for services in Puerto Rico since they are not a class of contract or vendor payments, which is the topical matter of this paragraph.	Deletion
060706.A.2	Clarified policy concerning when an IRS Form 1099 must be filed.	Revision
060706.A.3	Clarified policy concerning when an IRS Form 1099 must be filed.	Revision
060706.B (prior version)	Removed policy as a duplication of 060204.B.	Deletion
060706.B.2	Clarified policy concerning document retention requirements.	Addition
060706.C (prior version)	Moved policy to 060605.	Revision
060707 (prior version)	Moved policy to 060706.A.	Revision
060708 (prior version)	Moved policy to 060706.B.	Revision

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CHAPTER 6

FEDERAL, STATE, LOCAL, AND FOREIGN TAXES

0601 GENERAL

060101. Purpose

This chapter prescribes the financial management policy for payment of federal, state, local, and foreign taxes associated with the various types of payments addressed in this volume. It also provides the tax information reporting requirements and associated departmental policy that applies to certain contract, vendor and miscellaneous payments (including miscellaneous payments made to military and civilian employees). Tax-related policy and requirements involving Nonappropriated Fund Instrumentalities are covered in Volume 13, Chapter 7.

*060102. Authoritative Guidance

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. Federal Acquisition Regulation (FAR), Part 29 identifies the general tax applications on the United States (U.S.) purchases, the rights to exemptions, and the methods of claiming exemptions. More specialized information regarding the applicability of various taxes not obtainable locally may be obtained from the taxing authorities themselves or through discussions with the Component's general counsel.

* B. Exemptions from Certain Federal Taxes

1. Pursuant to Title 26, United States Code (U.S.C.) section 4293, the Secretary of the Treasury has exempted the Federal Government from the communications excise tax imposed by 26 U.S.C. § 4251 when the supplies and services are for the exclusive use of the U.S., as prescribed in FAR 29.203. This does not include facilities furnished to a government contractor. Exemptions 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. Pursuant to 26 U.S.C. § 4483(b), the Secretary of the Treasury has exempted the Federal Government from the Federal highway vehicle use tax imposed in 26 U.S.C. § 4481. As stated in FAR 29.203(b) the exemption applies whether the vehicle is owned or leased by the Federal Government.

3. FAR 29.202 identifies other circumstances in which Federal manufacturers' or special-fuels excise taxes may not be imposed in contracting situations that should be recognized by the contracting officer, who then shall furnish the seller an exemption certificate.

* C. [Policy Hierarchy](#). Internal Revenue Service (IRS) published regulations take precedence over [Department of Defense \(DoD\) policy](#) for the resolution of tax-related issues. [Components should consult with their designated legal counsel](#) if there are legal questions or [apparent conflicts between the policy](#) provided in this chapter and the IRS regulations. The Defense Finance and Accounting Service (DFAS) tax office (dfas.cco-1099@mail.mil) may also be consulted.

0602 RESPONSIBILITIES

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

DLA-Energy 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 [the 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 [from](#) excise taxes.

060203. Contracting Officer

[As outlined in FAR Part 29](#) the contracting officer is responsible for:

- A. Inserting the appropriate [tax clause in the contract](#);
- B. Soliciting prices on a tax-exclusive basis when it is known that the [Federal Government as a whole or the Armed Forces within DoD](#) are exempt from these taxes;
- 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 [the DoD contracts](#).

*060204. Contractors, Vendors, and Individual Payees

* A. In accordance with [FAR 29.304](#) contractors, vendors, and individual payees requesting payment from a DoD Component may be required to take certain action regarding payment, nonpayment, refund, protest, or other treatment of state and local specified taxes. This action will be taken in consultation with the contracting officer and will be varied depending on the tax consequences, nature of the purchases, and applicable contract clauses. Any entitlement or disbursing office concerns regarding any contractor tax-related payment requests or refunds should be elevated to the contracting officer for resolution.

B. [Title 31 U.S.C. § 7701\(c\)](#) requires all payees, subject to the U.S. Internal Revenue Code, doing business with the DoD to furnish their Tax Identification Number (TIN) as defined by [26 U.S.C. § 6109](#) (which may be a Social Security Number (SSN) for individuals). Payments are not to be authorized without a TIN or SSN on record for the required payee except as described in paragraph 060605.

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

*060205. Fleet Card Issuer

The Fleet Card issuer (third-party payor) is responsible for working with DLA-Energy and [DFAS](#) to maximize excise tax reclamations, as rules and procedures vary by state. Generally, states require that tax reclamations be completed after payment is made. Refer to the [GSA SmartPay Web site](#) for additional Fleet Card tax information.

*060206. DFAS

For those entitlement systems managed by [DFAS](#) and Enterprise Resource Planning (ERP) managed systems that have coordinated with [DFAS](#) (except for Defense Health Agency (DHA) and U.S. Army Corps of Engineers where responsibility has otherwise been assigned), [DFAS](#) is responsible for:

A. Computing all appropriate tax withholdings, making deposits to the U.S. Treasury, and filing the appropriate tax documents with the IRS;

B. Paying excise taxes as appropriate;

C. Performing reclamation of Federal and state excise tax-related to fuel purchases, based on data provided by either DLA-Energy or Fleet Card issuers. [DFAS responsibilities for performing reclamation will include filing for](#) 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. For those entitlement or ERP systems not managed by DFAS for which DFAS is the responsible disbursing activity, DFAS is responsible for:

1. Issuing annual instruction on requirements for submitting necessary tax reports to DFAS for distribution to the recipients; and

2. Coordinating the issuance of the hardcopy or electronic tax statements by the IRS mandated timelines.

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 shall 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

Third-party payors are responsible for preparing and filing IRS Form 1099-K, Payment Card and Third-Party Network Transactions, for certain payments they made, even if the item(s) procured were delivered to DoD. Further, the DoD is not responsible for filing an IRS Form 1099-MISC when the covered payments are made by third-party payors.

*060209. Convenience Check Account Holder

A. The convenience check account holder is responsible for tax reporting for the convenience checks they issue and for obtaining a signed [IRS Form W9](#), Request for Taxpayer Identification and Certification. To execute this responsibility, the account holder must obtain 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](#). As the checks are written, the account holder must capture the following check recipient data and enter it into the Tax Reporting Program:

1. Legal name (the name by which the check recipient taxes are filed);

2. Legal mailing address;

3. Taxpayer identification number;

4. Check number;
5. Check amount;
6. Date the check is written; and
7. Item description.

* B. If the payee fails to provide items 060209.A.1 through 060209.A.3, the convenience check should not be presented to the vendor and an alternate source for the goods or services should be used. The account holder should elevate and seek guidance on this matter from the Agency/Organization Program Coordinator for the purchase card program. Additional policy concerning the use of convenience checks is contained in Chapter 23.

* C. The convenience check account holder is responsible for all backup withholding actions required based on the IRS issuance of a CP2100 notice. See paragraph 060605 for additional information.

0603 FEDERAL EXCISE TAX (FET)

060301. 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.

060302. 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.

060303. Refunds

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

060304. Quarterly FET Return

A. Unless notified differently by the IRS District Director, the DFAS accounting office responsible for reporting DLA-Energy activity shall prepare and submit quarterly FET returns. DLA-Energy must submit a monthly report to DFAS containing the sales to taxable customers. A return must be made using [IRS Form 720](#), Quarterly Federal Excise

Tax Return, for the first calendar quarter when the 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 IRS guidance.

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

C. The DFAS accounting office is responsible for preparing IRS 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](#).

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

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

060305. Collections for FET

A. Collections for FET are made to deposit fund accounts. Excise taxes collected must be transferred using the most current instructions received from the IRS. Generally, transfers of excise taxes are required semi-monthly and must be made electronically to the Department of the Treasury.

B. Report the amounts of FET collected and deposited for the sale of aviation fuel other than for the exclusive use of the DoD.

0604 STATE AND LOCAL TAXES

060401. State and Local Taxes

A. In accordance with [FAR 29.302\(b\)](#), DoD Components shall assert the government’s immunity or exemption from taxes whenever it is available, and it is economically feasible to do so. State statutes identify 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 a U.S. Government 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:

1. 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.

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

B. 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. Taxes Involving Fuel Purchases

DLA-Energy is responsible for supplying applications for tax refunds on fuel purchases for both service station and bulk purchases of fuel. Contracting officers should coordinate with DLA-Energy on the applicability and reimbursement of state and local taxes pertaining to diesel fuels and gasoline purchases.

*060403. Leases and Purchases

In accordance with FAR 29.302, generally purchases and leases are immune from various state and local taxes. This determination is a legal question and requires consultation with agency counsel. FAR Subpart 29.4 references the different contract clauses concerning state and local taxes that may be included in contracts on leases and rentals.

0605 CUSTOMS DUTIES

*060501. U.S. Customs Duties on Foreign Purchases

A. Duty-Free Purchases. The DoD Components can make emergency purchases of war materials abroad. This material will be admitted free of duty. The applicability of customs duties is governed by the contract and actions of the contractor and contracting officer in accordance with FAR Subpart 25.9. Federal acquisition policy in FAR 25.9 states that agencies must pursue and use any exemptions allowed when the anticipated savings to appropriated funds will outweigh the administrative cost associated with processing the required documentation. Defense Federal Acquisition Regulation Supplement DFARS 225.9 provides more specific departmental policy, and requirements of the administrative contracting officer (ACO) in issuing duty-free entry certificates, identifying exempted supplies, and performing other formal entry and release procedures for the foreign items procured under a prime contract.

B. Payment of Custom Duties. If the importation is not determined to be duty free, then the duty must be charged to the same appropriation/fiscal year used to fund the purchase, even though the importation and purchase may be in different fiscal years. Expired funding is available for such obligation "adjustments" as stated in Volume 3, Chapter 10. The amount due

will be generated based on the classification of imports by Customs and Border Protection. Payment vouchers must be prepared to show the payment amount, annotate the source and calculated amount of the duty, with remittance addressed to the Collector or Deputy Collector at the port of entry. However, prior to payment, the entitlement office must obtain the ACO's approval to ensure the amount of the customs duties is not already covered in the price of the contract or exemption certifications have been issued to exempt the procured items from customs duties.

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 *Consolidated Regulations of Canada (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 excise 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 must show: "United States Government Funds exempt from Canadian excise tax, refer to Order in Council Privy Council (PC) 3108." This statement will assist the Canadian Department of National Revenue in granting the exemption.

0606 MISCELLANEOUS

060601. Payments in Lieu of Taxes

Issues involving the 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 DoD 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 DoD, 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 other government tax or trade agreements may provide exemptions. The Component’s legal counsel should be consulted regarding the applicability of these agreements to their individual circumstances. FAR 29.402 provides some specific clauses pertaining to foreign taxes that may be in contracts.

*060603. Taxes on Arms and Ammunition

In accordance with 10 U.S.C. § 2385, federal 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.

*060604. Environmental Assessments

If an environmental assessment is levied by a local government and it represents a fee, then the payment is authorized. If the assessment appears to be a tax and its legality is questionable, then the payment is not authorized. However, the Component’s legal counsel should be consulted to confirm that payment of the assessment should not be made.

*060605. Backup Withholding

A. In most instances, pursuant to 31 U.S.C. § 3325, DoD may not make a payment without a valid TIN and a signed IRS Form W9. If payment is appropriate without a TIN and a signed IRS Form W9, 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 and a signed IRS Form W9 as described above, the backup withholding requirements as described in 26 U.S.C. § 3406 are applicable. Because of the TIN requirement imposed by 31 U.S.C. § 3325, backup withholding within DoD should be extremely rare.

B. 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.

C. 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.

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

1. 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

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

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

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](#), [26 U.S.C. § 6041A](#), 26 U.S.C. § 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 [the date specified by the IRS](#).

* 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), [as prescribed in Chapter 12, paragraph 1207](#). Some of these payment types may require tax withholding and will be reported on the IRS Form W-2. [These payments are required to be paid by the appropriate system for accurate withholdings to be applied and reported on the annual IRS Form W-2 by January 31. Payment through a vendor pay office is only authorized if the appropriate withholdings are computed, included and presented for payment to the vendor pay office.](#) At the end of each calendar year, payment or entitlement offices are required to report these payments via Form W-2 according to current Social Security Administration (SSA)/IRS guidelines.

*060702. Tax Reporting

* A. Each DoD Component is responsible for the preparation of an IRS Form 1099 on its contract or vendor payments [for applicable services \(specified in paragraph 060703\)](#) 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 [Components](#), 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 Form 1099 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 [the recipient](#) must provide [the](#) written evidence needed for correction.

B. Payment data in various payment systems for the same contractor must be [consolidated](#) to determine if an entity was paid more than \$600 for reportable payments.

C. IRS Form 1099-MISC is [not](#) 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, the check-issuing activity must [input the data](#) outlined in subparagraphs 060209.A – B [monthly into the 1099 Tax Reporting Program](#), to ensure [the](#) IRS Form 1099 is issued. Activities must contact the DFAS Tax Office (dfas.cco-checks@mail.mil) to obtain access to the 1099 Tax Reporting Program before [inputting](#) 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 [that](#) are not otherwise exempt from taxation under [26 U.S.C. § 501\(a\)](#);

c. Canceled debts; and

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

2. Payment for Services. Payment or compensation for services rendered, including medical or health-care services and contractual legal services, is 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 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 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 Form 1099 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 for payment, such as taxable settlement awards, is responsible for providing information with the settlement documents that are **required** 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 the 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, [American Samoa](#), [Commonwealth of the Northern Mariana Islands](#), 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 related 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; and
7. Payments to organizations that are exempt from taxation under 26 U.S.C. § 501(a).

060704. Debt Actions Subject to IRS Form 1099-C ([Cancellation of Debt](#))

A. Federal agencies are required to report the cancellation of each 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 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.

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. See subparagraph 060701.B for additional information.

*060706. 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 the date specified by the IRS, with the appropriate IRS center listed in the instructions for IRS Form 1096.

* 3. Electronic Filing. The IRS Form 4419 must be used to receive IRS approval to transmit electronically. When filing 250 or more IRS Form 1099 returns in a single report, filings are done electronically and are required to be filed by the date specified by the IRS. These electronic filing procedures are published annually in IRS Publication 1220.

B. Records Retention

1. 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 plus the current calendar year 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 four 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.

* 2. Documentation supporting tax-related financial transactions reported in the Component's financial statements need to be retained in accordance with Volume 1, Chapter 9. The documentation retained must be of sufficient quality to allow an independent third party, such as an auditor, to confirm the computation of the tax-related transaction posted in the accounting system and reported on the financial statements.

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 September 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
070202	Clarified exemptions to the Prompt Payment Act to include payments directed by military authority exercised in the field in time of war or in occupied territory.	Revision
070203	Added the Defense Federal Acquisition Regulation Supplement Acquisition policy requirements regarding the electronic submission of payment requests and receiving reports.	Addition
070203.B	Clarified Department of Defense payments must be based on the receipt of a proper invoice unless an invoice is not required by the contract.	Revision
070203.B.2	Clarified that delivery tickets may be used as an invoice when allowed by the contract.	Revision
070203.C.2.a	Added stipulation that contract terms may require certain documentation or other requirements for interim payments on cost-reimbursement contracts for services.	Addition
070203.C.2.b	Specified the Federal Acquisition Regulation (FAR) clause required in a contract to invoke the Fast Payment Procedure and clarified the follow-up requirements for acceptance documentation.	Revision
070203.C.4	Added clarification that government acceptance documentation must be obtained even if constructive acceptance is used to calculate payment due dates.	Addition
070203.F	Clarified policy for progress payments made under construction contracts and noted nonconforming performance consequences.	Addition
070203.G	Clarified policy for payments made for partial deliveries and emphasized the requirement to document receipt and acceptance.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
070208.A	Added policy clarification that interest is to be paid automatically in accordance with FAR 32.907 when certain conditions have been met.	Addition
070208.B	Added policy clarification to address the impact of incorrect banking information on accruing interest to align with Title 5 Code of Federal Regulation (CFR) 1315.10.	Revision
070208.D	Added stipulation where interest no longer accrues after a contractor files a claim for such penalties under the Contracts Disputes Act of 1978.	Addition
070208.E	Clarified policy establishing the condition whereby additional penalties may be due a contractor for late payments.	Addition
070208.F	Added conditions from 5 CFR 1315 specific to interest penalties due under construction contracts.	Addition
070208.G	Added conditions from 5 CFR 1315 specific to exceptions to interest penalties due.	Addition
070209.B	Added descriptive detail of requirements for contractors requesting waiver of prompt payment interest penalty.	Addition
0703	Deleted section, 'Department of Defense Component Head Responsibilities', since it was determined to be redundant with such responsibilities already outlined in other Volume 10 chapters.	Deletion

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CHAPTER 7**PROMPT PAYMENT ACT**

0701 GENERAL

070101. Purpose

This chapter prescribes the [financial management policy](#) for payments to vendors and contractors [covered under the Prompt Payment Act \(PPA\) Title 31, United States Code \(USC\) Chapter 39](#) as [implemented under Title 5, Code of Federal Regulations \(CFR\), Part 1315](#). The chapter [primarily](#) focuses on timely payment, determination of appropriate due dates, the penalty for late payment, required documentation, receipt and acceptance dates, and payment discounts.

070102. Overview

PPA requires the Department of Defense (DoD) to pay [its bills by the specified or agreed upon due date](#) and pay interest penalties when payments are made late. Regulations promulgated under PPA state that [DoD](#) should take discounts only when payments are made by the discount date, and the discount is economically justified. [Acquisition policy implementing PPA provisions at 5 CFR 1315 involving contractor/vendor payments is primarily in the Federal Acquisition Regulation \(FAR\) Subpart 32.9, "Prompt Payment" and the Defense Federal Acquisition Regulation Supplement \(DFARS\) Subpart 232.9 "Prompt Payment"](#).

0702 PROMPT PAYMENT ACT POLICY

070201. Application

The payment terms ordinarily imposed by contract, or PPA and its implementing regulations, may be replaced by the payment terms imposed by another governmental authority, such as utility tariffs. For the purposes of this chapter, days refer to calendar days unless stated differently. PPA applies to the following [unless these payments meet one of the exemptions in paragraph 070202](#):

A. [Procurement Contracts](#). [All payments for contracts for the procurement of goods or services;](#)

B. [Vendor Payments](#). All vendor payments and payments to persons (not employee [civilian pay](#)), organizations, or business concerns engaged in a profession, trade, or business and any not-for-profit entity operating as a vendor; [and](#)

C. [Utility Payments](#). All utility payments, including payments for telephone service, are subject to the PPA. Where state, local, or foreign authorities impose applicable late payment rates for utility payments, those rates shall take precedence, and thus, PPA [interest](#) rates will not apply.

*070202. Exemptions

A. In accordance with [5 CFR 1315.1\(a\)\(1\)\(ii\) and \(b\)\(1\)](#), the following payments are exempt from PPA:

1. Payments directed by military authority exercised in the field in time of war or in occupied territory as stated in [5 USC 551\(I\)\(G\)](#), and
2. Contract financing payments, as defined in [FAR 32.001](#).

B. In accordance with [5 CFR 1315.1\(b\)\(2\)](#), the following payments may be exempted from PPA:

1. Payments related to declared states of [emergency](#) directing any Federal agency to utilize its resources in support of State and local disaster assistance efforts, as defined in the [Robert T. Stafford Disaster Relief and Emergency Assistance Act](#),
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\(a\)\(13\)](#).

C. While payments identified in 070202.B.1, B.2 and B.3 are usually exempted per 5 CFR 1315.1, the head of the contracting activity (HCA) (when authorized), in consultation with the cognizant comptroller [supporting their contracting activity](#), will make the determination of whether a contract and related payment will be subject to the requirements of FAR Subpart 32.9. [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. Chapter 8 [contains](#) additional policy [on certifying payments made in support of emergencies and contingency operations](#), a matrix tool to assist certifying officials in identifying the critical data elements, and the documentation necessary for that proper certification.

*070203. Required Documentation Type, Function, and Purpose

Before making [an invoice and/or interest payment](#), and in support of [future financial audits](#), DoD Components must ensure that appropriate payment documentation is established and [matched](#). This documentation includes the contract, receipt/acceptance report, and a proper invoice, [unless not required by the contract](#). Sections 070203.B and 070203.C below identify unique circumstances when an invoice and/or receipt/acceptance report may not be required. Acquisition policy in [DFARS Subpart 232.70](#), "Electronic Submission and Processing of Payment Requests and Receiving Reports" prescribes DoD policies and procedures for submitting and processing payment requests and receiving reports in electronic form. It also specifies exceptions and defines Wide Area Workflow (WAWF) as the accepted electronic form

for submission of payment requests and receiving reports. It further permits the use of TRICARE Encounter Data System as the electronic format for receiving reports for rendered health care services.

A. Contract. The contract is an enforceable agreement between the agency and the contractor or vendor that provides the necessary information to support payment of invoices and interest penalties. Contracts must contain the data elements required under 5 CFR 1315.9(a) as part of the payment documentation. 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 to the contract.

* B. Proper Invoice. DoD payments must be based on the receipt of a proper invoice unless an invoice is not required by the contract, (e.g., monthly rental payments), and satisfactory contract performance. FAR 32.905(b) provides details on the information required for a proper invoice. 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 first to receive and review invoices, hereafter referred to 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 must 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 must be clearly marked as such. Notification must 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). 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 notification requirement. 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 the payment due date of the corrected/resubmitted invoice by 4 days. As a result of the 4 day delay, the corrected invoice is now payable in 26 days upon receipt before interest begins to accrue. In accordance with FAR 32.906(b)(4), 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.

* 2. Delivery Ticket as an Invoice. A delivery ticket may be used as an invoice when allowed by the contract. When used as an invoice, the delivery ticket must contain the information required by FAR 32.905(b) unless otherwise stipulated in the contract.

C. 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 minimally contain the information stated in FAR 32.905\(c\)](#) unless otherwise stipulated in the contract.

2. Receipt of goods ordinarily does not provide a basis for payment. Payment 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 as Stated in FAR 32.905\(c\)](#). However, contract terms may still require receipt and acceptance documentation, or stipulate other related requirements be met before a request for payment for services can be certified and disbursed.

* b. [Contracts Incorporating the “Fast Payment Procedure” Clause at FAR 52.213-1](#). In contracts with this clause, 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. [Payments on these invoices](#) may be made within 15 days after the receipt of the invoice. [Component policies and controls must be in place to follow-up after payment to ensure receipt of acceptance documentation for the payment and contract files.](#) The acquisition requirements and rules governing the fast payment procedure are found in [FAR Subpart 13.4](#) and [DFARS Subpart 213.4](#). Refer to section 1005 of Chapter 10 for additional fast payment procedure financial management policy.

3. 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.

* 4. Government acceptance is [commonly](#) 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 contractual 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 [will](#) substitute for the [commonly](#) 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; [in any case, government proof of acceptance must be forwarded to the designated payment office.](#)

a. If actual acceptance occurs within the constructive acceptance period, the determination of **any interest penalty must be** based on the actual date of acceptance.

b. If actual acceptance occurs after the constructive acceptance period, the determination of **any interest penalty must be** based on the constructive acceptance date.

c. The constructive acceptance requirement does not compel DoD Components to accept supplies or services or make payment prior to fulfilling their designated responsibilities and internal control activities.

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 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 **supporting their contracting activity**, will make the determination of whether a contract and related payment will be subject to the requirements of FAR Subpart 32.9 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 **may use Annex 1 of Chapter 8 to identify** the documents and information **needed** 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 080806 of Chapter 8.

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 on Construction Contracts. Progress payments may be made if the payment request meets the requirements specified in the contract clause (**FAR 52.232-5(b)(1)**) and any other applicable terms of the contract. These payments are made monthly or at more frequent intervals as determined by the contracting officer. According to **FAR 52.232-5(d)(2)**, if the contractor, after being paid upon submitting a certified request for progress payment, discovers that a portion or all of such request constitutes a payment for performance by the contractor that 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 **notify the contracting officer of the performance deficiency and is required to pay DoD 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 subsequently certified request for progress payment by an amount equal to the unearned amount.

* G. Payment for Partial Deliveries on Fixed-Priced Supply, Fixed priced Services, or Non-regulated Communication Service Contracts. FAR 32.906(c) instructs contracting officers, that if the nature of the work permits, to write contract statements of work and pricing arrangements that allow contractors to deliver supplies or services and receive invoice payments for discrete portions of the work as soon as completed and found acceptable by the Government. The inclusion of the payment clause at FAR 52.232-1 in the contract, unless specifically prohibited elsewhere in the contract, allows the contractor to be paid 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. The contract clause may stipulate other payment requirements; however, a proper invoice and documentation of government receipt and acceptance are nonetheless required before the payment can be made.

070204. Determining the Invoice Receipt Date

The date the contractor's invoice or payment request is received must be recorded on the invoice immediately upon receipt by the billing office designated in the contract to receive the invoice. This annotation must be clearly identifiable to the designated activity which will be processing the payment. The 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. 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.

070205. Determining the Payment Due Date

For payments subject to the requirements of FAR Subpart 32.9, the payment due date is the date on which payment shall be made to avoid paying PPA interest.

- 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.

An example of applying this policy for determining the payment due date using the noted respective dates is as follows: 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 a 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 [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 ([FAR 32.906](#)). 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\(j\)](#)). Further, [DFARS 232.903](#) provides for payments to be made to small business prime contractors as quickly as possible after invoices and all proper documentation, including acceptance, are received and before normal payment due dates established in the contract. The identification of small business contractors will be established by the contracting officer and identified as such in the contract. However, in accordance with [DFARS 232.906\(a\)\(ii\)](#), contractors shall not be entitled to interest penalties if the DoD fails to make early payment.

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 the contract specifies the use of FAR clause 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).

C. Payment is considered to be made on the date printed on the check, or on the Electronic Funds Transfer (EFT) settlement date. In order to avoid late payment 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.

070207. Discounts

If a vendor/contractor offers a DoD Component a discount, whether stipulated in the contract or offered on an invoice, the Component 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. In accordance with [FAR 32.907\(b\)](#), if a DoD Component takes the discount after the deadline, an interest penalty on any amount remaining unpaid will be due.

D. Refer to Chapter 2 for additional financial management policy concerning discounts.

*070208. Interest Penalties

When DoD Components fail to make payment by the payment due date, interest accrues from the day after the payment due date through the payment date.

* A. In accordance with [FAR 32.907\(a\)](#), the designated payment office will pay an interest penalty automatically, without request from the contractor, when all of the following conditions, if applicable, have been met:

1. The designated billing office received a proper invoice;
2. The Government processed a receiving report or other Government documentation authorizing payment, and there was no disagreement over quantity, quality, or contractor compliance with any contractual requirement;
3. In the case of a final invoice, the payment amount is not subject to further contract settlement actions between the Government and the contractor;
4. The designated payment office paid the contractor after the due date; and

5. In the case of interim payments on cost-reimbursement contracts for services, when payment is made more than 30 days after the designated billing office receives a proper invoice.

* B. 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 vendor has been given notice of the incorrect banking information within 7 days after the agency is notified that the information is incorrect). Refer to 5 CFR 1315.10 for additional regulatory coverage.

C. 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)).

* D. 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 will accrue after 1-year beyond the original due date or after the contractor files a claim for such penalties under the Contracts Disputes Act of 1978 (5 CFR 1315.10(a)(5)). Interest calculations are to be based on a 360-day year.

* E. 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 contractor receives a contract payment dated after the due date which does not include the interest penalty also due, and the interest penalty is not paid within 10 days after the actual contract payment date (5 CFR 1315.11). The vendor/contractor's entitlement to additional penalties is also 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).

* F. Interest Penalties Due Under Construction Contracts. 5 CFR 1315.14(c) provides for interest penalties to be paid on payments under construction contracts when a progress payment request has been approved as payable by the designated agency official, and remains unpaid for a period of more than 14 days, or longer if specified in the contract, after receipt of the payment request by the designated agency office. Interest penalties may also be applicable to final payments, based on completion and acceptance of work, and payments for partial performance that has been accepted by the agency. Refer to 5 CFR 1315.14 for additional details on payments and interest penalties under construction contracts.

* G. Exceptions to Interest Penalties Due. 5 CFR 1315.10(c) identifies exceptions to when interest penalties are due. These exceptions generally include instances such as when interest penalties due are less than \$1.00, the contractor provided incorrect EFT information, payments are solely for financing purposes, and contract payments are delayed due to disputes between the Government and contractor over the payment amount or other issues concerning compliance with the terms of the contract. More detailed information regarding these and other exceptions are contained in 5 CFR 1315.10(c).

H. Computation of Interest Penalties. The Government will compute interest penalties in accordance with the Office of Management and Budget prompt payment 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, refer to [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, thus ensuring 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. [A contractor may waive interest entitlement](#) by returning the amount of interest paid by separate check or by returning the government check and requesting payment only in the amount invoiced. [In addition to returning interest penalties already received, a contractor may waive their right to PPA interest by either express written statement or by acts and conduct which indicate intent to waive.](#) Therefore, all requests for waiver of PPA interest made in writing must be submitted to the applicable payment office established in the contract, be specific to each invoice/payment, and be for interest that is already earned/accrued. A contractor may not request a waiver of interest for potential interest not yet accrued, or a blanket waiver for a group of contracts/invoices. Interest waiver request documentation must be retained with payment supporting documentation.

C. 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.

D. The Foreign Military Sales (FMS) Trust Fund will fund late payment interest penalties [pertaining to](#) procurements financed by a FMS contract. Refer to Volume 15, Chapter 7 [for additional information concerning FMS pricing.](#)

VOLUME 10, CHAPTER 8: “COMMERCIAL PAYMENT VOUCHERS AND SUPPORTING DOCUMENTATION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by **blue font**.

Substantive revisions are denoted by an asterisk (*) 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 2012** is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
080101	Revised the Overview paragraph to include policy regarding electronic submission and processing requirements that are incorporated from Chapter 17. Chapter 17 is deleted upon publishing of this chapter.	Addition
080102	Added clarification to the Scope of the chapter by defining commercial payment vouchers.	Addition
080103	Added an Authoritative Guidance section for compliance with the recently updated DoD Financial Management Regulation Revision Standard Operating Procedure.	Addition
080201.A & B	Added additional Federal Acquisition Regulation references pertaining to electronic processing, incorporated from Chapter 17, as authorities for this chapter.	Addition
080202.A & B	Added additional Defense Federal Acquisition Regulation Supplement references pertaining to electronic processing, incorporated from Chapter 17, as authorities for this chapter.	Addition
080203	Added the Prompt Payment Act citation and hyperlink.	Addition
080206	Added clarification of certifying officer duties and appointment requirements and reference to Volume 5.	Addition
080208	Incorporated policy from Chapter 17 requiring vendor registration in the System for Award Management.	Addition
080209	Added reference to policy in Volume 5 authorizing the use of electronic and digital signatures.	Addition
080210	Added policy pertaining to the use of the Government Purchase Card on contracts.	Addition
080302	Added clarification regarding the proper information that must be contained in a contract and the requirement for a formal modification to change contract terms.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
080303.A	Added policy clarifying that, in addition to Wide Area Workflow (renamed to the iRAPT module of the Wide Area Workflow (WAWF) e-business suite), Enterprise Resource Planning systems and third party payment systems may be used for electronic submissions.	Addition
080303.E.2	Added clarification to the language pertaining to the resolution of discrepancies on variations in quantity when the invoice indicates a final shipment.	Addition
080304.B.1 & 2	Incorporated policy from Chapter 17 pertaining to electronic invoicing requirements and added reference to Chapter 1 regarding internal controls.	Addition
080304.C, D, F & H	Clarified policy pertaining to the requirements of a proper invoice and the handling of improper invoices, clarified policy pertaining to internal controls for recurrent payments, and clarified the policy regarding invoices requiring the Administrative Contracting Officer (ACO) signature.	Addition
080306 (prior version)	Deleted the section, 'Multi Use Forms', as it was duplicative of policy already covered in other sections.	Deletion
080401	Revised the records retention requirement from 6 years 3 months to 6 years after the final payment on a contract, in accordance with the U.S. National Archives and Records Administration (NARA), General Records Schedule (GRS), Transmittal 23. Also clarified the responsibility of maintaining supporting documentation as that of the contracting officer.	Revision
080402	Added and incorporated reference to the Electronic Document Access system as a central repository for official payment documentation.	Addition
080501.B.2	Added the requirement to include the name, contact information and signature on the translation certificate related to documents prepared in a foreign language.	Addition
080602.B	Added clarification to the policy regarding the acceptance of pen and ink changes by the entitlement office on supporting documentation to externally certified payment requests.	Addition

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CHAPTER 8

COMMERCIAL PAYMENT VOUCHERS AND SUPPORTING DOCUMENTS

0801 GENERAL

*080101. Overview

Commercial payment vouchers and the related processing requirements addressed in this chapter apply to payments made to contractors and vendors (used interchangeably throughout the chapter) as part of the contract and vendor payment environments covered by the Federal Acquisition Regulation (FAR), Defense Federal Acquisition Regulation Supplement (DFARS), and other authorities identified in Section 0802. The preparation and certification of a payment voucher by the entitlement office based on the proper supporting documentation, as well as those externally certified, advises the disbursing officer (DO) that the contractual conditions for payment have been met.

*080102. Purpose

This chapter prescribes the policy for the entitlement and preparation of commercial payment vouchers, and the documentation required to support the payment vouchers. It also identifies the forms most often used for contracts, receiving reports, and vouchers, as well as the related electronic submission and processing requirements, and document retention requirements.

*080103. Authoritative Guidance

The policies prescribed throughout this chapter pertaining to the entitlement and preparation of commercial payment vouchers, including supporting documentation, are based upon the laws and regulations cited herein.

0802 POLICIES AND REQUIREMENTS

*080201. Federal Acquisition Regulation (FAR)

Title 41, United States Code (U.S.C.), Section 1302, establishes the Federal Acquisition Regulatory Council. Pursuant to *41 U.S.C. 1303*, 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.

* A. *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 *41 U.S.C. 2301*.

* B. [FAR Subpart 32.11](#) prescribes that contract financing and delivery payments to contractors are to be made by Electronic Funds Transfer (EFT). FAR 32.1103 and [Title 31 Code of Federal Regulations \(CFR\) section 208.4](#) prescribe limited exceptions to the requirement to make payments via EFT. Volume 5, Chapter 11 provides additional EFT policy information.

*080202. Defense Federal Acquisition Regulation Supplement (DFARS)

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

* A. [DFARS Subpart 232.70](#), Electronic Submission and Processing of Payment Requests and Receiving Reports, prescribes Departmental acquisition policies requiring the submission and processing of contractor payment requests and receiving reports in electronic form to comply with [10 U.S.C. 2227](#).

* B. Acceptable electronic submission forms prescribed in [DFARS 232.7003](#) include, but are not limited to:

1. The Invoicing, Receipt, Acceptance, and Property Transfer (iRAPT) module of the Wide Area Workflow (WAWF) e-business suite;

2. DoD approved electronic third party payment systems (TPPS), or other exempted vendor payment/invoicing systems, which have been determined to be acceptable for commercial transportation services provided under a Government rate tender or contract for transportation services; and

3. TRICARE Encounter Data System (TEDS) for rendered health care services.

*080203. Prompt Payment Act

The Prompt Payment Act (PPA), codified in [31 U.S.C. Chapter 39](#) and [5 CFR Part 1315](#), requires 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. Refer to Chapter 7 for additional policy specific to PPA.

080204. 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). Specific Departmental policy regarding payment prevalidation is located in Chapter 1, section 0103.

080205. Requirements for Disbursing Transactions

The DoD Financial Management Regulation (FMR) Volume 5, Chapter 9 prescribes requirements covering disbursing transactions. Additionally, the Treasury Financial Manual (TFM), [Volume 1, Part 4](#) prescribes requirements for disbursing payment vouchers.

*080206. Payment Certification Requirements

Title [31 U.S.C. 3325](#) authorizes disbursing officers to disburse money only when provided a voucher certified by a properly appointed certifying officer. [Certifying officers are individuals designated in writing \(appointed\) who are required to perform their duties in accordance with Volume 5, Chapter 5. DoD Directive 5118.03 delegates authority to appoint certifying officers under 31 U.S.C. 3325\(a\)\(1\) and \(b\), to the Under Secretary of Defense \(Comptroller\) \(USD\(C\)\). Volume 5, Chapter 5 re-delegates that authority to DoD Component Heads, who may further re-delegate that authority. All certifying officers must be appointed using a Department of Defense \(DD\) Form 577, Appointment/Termination Record-Authorized Signature. Certifying officers who certify electronic vouchers must submit an electronic DD Form 577 as prescribed by Volume 5, Chapter 5. By certifying a voucher, the certifying officer attests that the payment is legal, correct, and proper. As stated in \[31 U.S.C. 3528\]\(#\) and Volume 5, Chapter 5, certifying officers are pecuniarily liable for payments they certify that do not meet these requirements. For specific policy related to the successive certification of an externally certified voucher received by the payment office, refer to Volume 5, Chapter 5, paragraph 050504. 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. Refer to Volume 5, Chapter 6, section 0607 for the policy regarding decisions of liability.](#)

080207. Taxpayer Identification Number (TIN)

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

*080208. System for Award Management (SAM)

In accordance with [FAR Subpart 4.11](#), contractors and vendors doing business with the Federal Government must register in [SAM](#), except as noted in FAR 4.1102. The exceptions include instances involving classified contracts, purchases using the Government-wide commercial purchase card, and emergency or contingency operations. Contractors and vendors are responsible for keeping all SAM information current.

*080209. Electronic and Digital Signatures

Title [15 U.S.C. 7001](#), and as detailed in Volume 5, Chapter 1, authorizes DoD to use electronic and digital signatures. Volume 5, Chapter 1, paragraph 010305.C prescribes the minimum requirements for electronic and digital signatures.

*080210. Contract Payments Using the Government Purchase Card (GPC)

[FAR 13.301](#) authorizes the use of the GPC to make payments on contracts. Pursuant to [FAR 32.1110\(d\)](#), contracting officers shall insert the clause at [FAR 52.232-36](#), Payment by Third Party, if payment under a written contract will be made by a charge to a Government account with a third party such as a Government-wide commercial purchase card. However, pursuant to FAR 32.1108(b)(1), payment by a purchase card also may be made under a contract that does not contain the clause to the extent the contractor agrees to accept that method of payment. When it is contemplated that the Government-wide commercial purchase card will be used as the method of payment, and the contract or order is above the micro-purchase threshold, contracting officers are required to verify (by looking in the SAM) whether the contractor has any delinquent debt subject to collection under the Treasury Offset Program (TOP) at order placement and contract award. In accordance with FAR 32.1108(b)(2)(ii), contracting officers shall not authorize the Government-wide commercial purchase card as a method of payment during any period the SAM indicates that the contractor has delinquent debt subject to collection under the TOP. The [Department of Defense Government Charge Card Guidebook](#) provides additional policy and procedures pertaining to the uses and limitations of the GPC in paying contracts.

0803 SUPPORTING DOCUMENTS REQUIRED TO PROCESS PAYMENTS

As part of [entitling and certifying](#) a payment, DoD Components must ensure that appropriate payment documentation is established [and retained](#) to support payment of invoices and interest penalties. This documentation normally includes the contract/purchase order, receipt/acceptance report, and a proper invoice. Refer to [5 CFR 1315.9](#) for additional information on required documentation. Paragraph 080303 defines the exceptions in which receiving reports are not required prior to payment.

080301. Follow-up for Required Documents

If [the entitlement and certification of contractor/vendor invoices](#) cannot be [accomplished](#) due to the non-receipt of receiving reports, copies of contracts, contract modifications, or other required documentation, the entitlement office must follow-up with the contracting or receiving office to ensure that these documents are forwarded in a timely manner. [The entitlement office, contracting office, and receiving activity must address these actions timely](#) to prevent the [potential](#) loss of economically justified discounts (if possible) and to avoid the unnecessary payment of late payment interest penalties.

*080302. 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. Contracts must contain the information prescribed by 5 CFR 1315.9(a) in order to support payment of contractor/vendor invoices. If the entitlement office discovers an error in a contractual document, they must 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 to the contract. 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, and the
2. Contract clauses prescribed in specific FAR and DFARS provisions.

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. [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.
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 distribution procedures for contracts and contract modifications that include the requirement to make distribution to the appropriate accounting and payment offices.

*080303. Receiving Report

* A. Definition. As defined by FAR 2.101, a receiving report is written evidence [documenting the](#) Government's 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 [use of the](#) fast payment procedure as defined in Volume 10, Chapter 7 paragraph 070203.C.1.b. As stated in DFARS Subpart 232.7002, contractors [shall](#) submit payment requests and receiving reports in electronic form. DFARS 232.7003 [identifies the acceptable electronic submission forms which include using the iRAPT module of the WAWF e-business suite \(or other limited authorized electronic means as indicated in DFARS 232.7003\).](#) The iRAPT module of WAWF, Enterprise Resource Planning (ERP) systems and third party payment systems accomplish electronic receipt and acceptance of materials or services with the use of an electronic signature.

B. Forms. 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 [form used](#) 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 Form 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. [For conditions that must be satisfied in order to use the SF 44, see section 080704 and 48 CFR 13.306.](#)

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. The SF 1449 is prescribed for use in solicitations and contracts for commercial items.

C. Follow-up for Receiving Report. If payment cannot be made due to non-receipt of a receiving report, the entitlement office [must](#) follow up with the contracting officer and/or receiving office to ensure the documentation is forwarded in a timely manner.

D. Receiving Report Not Required. In certain situations, such as contract financing and the fast payment [procedure](#), a receiving report may not be required [prior to](#) payment.

1. Contract Financing Payments. As defined in [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, [payments on performance-based contracts](#), and [interim payments on cost-type contracts \(other than under cost-reimbursement contracts for the acquisition of services\)](#). Title [5 CFR 1315.4\(d\) & \(e\)](#) provide for an exception whereby interim payments under a cost-reimbursement service contract are treated like contract financing payments in that they are also excluded from requiring a receiving report and acceptance prior to payment authorization.

b. Contract financing payments do not include invoice payments, payments for partial deliveries, lease and rental payments, progress payments under construction contracts based on a percentage or stage of completion, or interim payments under cost-reimbursement service contracts.

2. Contracts incorporating the “Fast Payment Procedure”. Use of the fast payment 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](#). Refer to Chapter 10, section 1005 for additional fast payment procedure policy.

* E. 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. [The contract will cite](#) permissible variations 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 [per the contract terms](#), the entitlement office will [pay, in compliance with the PPA \(5 CFR 1315\) and the variation authorized in the contract](#), the amount of the invoice that supports the quantity received and accepted. The entitlement office must also collaborate with the contracting officer as needed to [advise and assist in resolving the differences](#).

*080304. Invoice

A. Definition. As defined by FAR 2.101, an invoice is a contractor/[vendor’s](#) bill or written request for payment under the contract for supplies delivered or services performed. According to DFARS Subpart 232.70, [contractors/vendors](#), with few exceptions

(refer to [DFARS 232-7003\(b\) and \(c\)](#)), are required to invoice electronically using the iRAPT module of the WAWF e-business suite.

B. Submission Requirements

* 1. When using contracting officer approved/designated electronic techniques for submission of invoices and electronically certified vouchers, it is not necessary to transfer paper documentation to the payment office for examination if the same supporting data is readily available and accessible in electronic media or through an electronic process.

* 2. The certifying officer must further ensure that the transmitted data relied upon in entitling and certifying a payment contains the necessary PPA information required by 5 CFR 1315.9 and [FAR 32.905\(b\)](#). As prescribed by Chapter 1, Section 010202.D, processes, controls, and routine testing should be established to ensure the completeness, accuracy, authorization, and validity of the electronic data received via system interfaces/transmission.

3. When vendors/contractors 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) identify 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.

* C. Proper Invoice. DoD payments must be based on the receipt of a proper invoice, unless an invoice is not required by the contract (e.g., monthly rental payments), and satisfactory contract performance. FAR 32.905(b) provides details on the information required for a proper invoice.

* D. Improper Invoice. If an invoice is improper or does not meet the contract requirements prescribed by FAR 32.905(b), then the designated activity **must** return the invoice to the vendor/contractor and provide all details regarding invoice deficiencies. **Additionally**, an invoice must be returned as improper if the entitlement office has not been provided a valid TIN for **any** designated payee subject to the U.S. Internal Revenue Code. If the TIN is not in the SAM, Corporate Electronic Funds Transfer, or within the supporting documentation (to include the invoice **or contract**), then the contracting officer shall **provide** the contractor's TIN to the appropriate payment office ([FAR 4.203](#)). An 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 (FAR Subpart 32.905(b)). Electronically transmitted payment requests that are returned to the contractor will be returned in the same manner that they were received; or in a manner practical for the entitlement system. An electronic message reporting the reason for the return must accompany the returned electronically transmitted payment request.

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

1. DD Form 250,
2. SF 44,
3. Delivery Ticket, refer to Chapter 7 (070203.B.2), and
4. SF 1449.

* F. Recurrent Payments/Fixed Amounts. Payments for services of a continuing nature (e.g., rents, janitorial services) which are performed under agency-vendor contracts providing for payments of definite amounts at fixed periodic intervals may be made without submission of invoices or bills by the vendor [if allowed by the contract](#). [However, the contract must specify the payment due date](#). The voucher prepared by the payment office to support payments of this nature [must](#) 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/[appropriation](#) to be charged. The payment voucher [must](#) be certified for payment the same as are the vouchers for all other types of payments. [To comply with TFM Volume 1 Part 4A, Chapter 2000, Section 2055](#), internal controls [must](#) be established and periodically tested to [ensure](#) that recurrent payments [being made](#) are: (1) on unexpired contracts or agreements, (2) for correct amounts, (3) for services actually [received, or leased space actually under contract](#), and (4) are not duplications of [previous payments made for the same goods or services](#).

G. Lost or Destroyed Invoices. If an original invoice has been lost or destroyed, then a duplicate [must](#) be obtained from the original submitter of the invoice to support the voucher. [Mark the invoice](#) obtained 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 [documenting](#) that payment was made based on [existing](#) records, a hardcopy duplicate invoice could not be obtained, and the “original” invoices were lost or destroyed. [The specific existing records relied upon must be identified and documented, and management review and approval of such payment must occur and be documented prior to the disbursement. Refer to TFM Volume 1 Part 4A, Chapter 2000, Section 2045.05.](#)

* H. Invoices Requiring Administrative Contracting Officer (ACO) Approval. The Defense Contract Audit Agency (DCAA) is the authorized representative of the ACO for approving all interim [contract payment](#) vouchers for provisional payment [subject to final audit](#). [DCAA does not provisionally approve the contractor’s final voucher on a contract, since the approval is required to be performed by the contracting officer](#). DCAA also approves for [provisional](#) payment, [subject to final audit](#), the interim vouchers for commercial and non-commercial Time and Material (T&M) and Labor Hour (LH) contracts. [Refer to DoD Directive 5105.36](#) for additional information [regarding DCAA’s roles and responsibilities in this process](#). The following invoices and vouchers require ACO approval before payment:

1. Completion vouchers under cost-plus, fixed-fee, or other cost-reimbursement [type](#) 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.

080305. Payment Voucher

For specific guidance on payment vouchers, including a description and essential data, refer to Volume 5, Chapter 9. [TFM Volume 1 Part 4A, Chapter 2000](#) contains [guidance](#) 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.

0804 DOCUMENT RETENTION

*080401. Period of Retention

Original payment documentation and associated documents will be retained as government records in a format readily accessible to the entitlement office for a [period of 6 years](#) after final payment under the contract. 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](#) period to complete reconciliation of payment or collection discrepancies, audit readiness requirements or for other necessary purposes. Refer to the U.S. National Archives and Records Administration (NARA), General Records Schedule (GRS), [Transmittal 23](#), Section 1.1, for additional information on document retention. Electronic record storage requires adequate controls to ensure that integrity of the digital images accurately represent the corresponding paper documentation and detect changes to an original digital image. The retention of documentation,

both paper and electronic records, is the responsibility of the certifying officer. Also refer to Volume 1, Chapter 9 for DoD policy regarding financial records retention.

*080402. Electronic Document Access (EDA)

EDA is a mandatory DoD centralized repository of all unclassified contracts, orders, and modifications in accordance with [DFARS PGI 204.201](#). The system is also used as a repository for Contract Deficiency Reports (CDR), Government Bills of Lading (GBL), vouchers and receiving reports. Refer to the [EDA Manual](#) for more information regarding business rules for using the system.

0805 FOREIGN LANGUAGE DOCUMENTS

*080501. Documents Prepared in a Foreign Language

A. Invoices and supporting documents prepared in a foreign language must be translated before payment to ensure their contents satisfy requirements of the contractual document. Refer to [DFARS 225.1103](#) for additional policy related to contracts that may involve documentation written in a foreign language.

B. The documents must be translated in enough detail (contract number, item identification, unit of measure, 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 receipt and acceptance of the items, and provides the names and contact information, along with the signature accompanying this certification if not performed electronically.

3. If not properly translated, return the invoice to the vendor as improper. Refer to paragraph 080304.C and Volume 10, Chapter 7, for information on improper invoice policy.

080502. 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.

080503. 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____." (**Printed Name, Signature, Date, and Contact Information**). **This certification, which pertains only to the translation,** may be inscribed on a separate sheet and attached if space is not available on the foreign language document. **A duly appointed (via a DD Form 577) certifying officer must ensure payment requirements are satisfied based upon the translation.**

0806 PROCESSING ALTERED DOCUMENTS

The following policy applies to pen and ink changes associated with contractual documents, requests for payment, receiving reports, and invoice documents.

080601. Prohibited Pen and Ink Changes

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

B. **Entitlement office personnel are prohibited from making pen and ink changes** on 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. **Monetary Amounts.** Monetary amounts include any **dollar value** on any of the contractual documents.

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

5. **Names of Officials and Officers.** Officials and officers include, but are not limited to: the certifying officer, 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.

*080602. Allowable Pen and Ink Changes

A. Entitlement offices can make pen and ink changes for administrative type errors not described in paragraph 080601.B on requests for payment, receiving reports, and invoice documents.

* B. Entitlement office personnel may accept pen and ink changes on supporting documentation attached to an externally certified payment request, certified and submitted by an appointed certifying officer. When submitting a certified payment voucher with accompanying manually altered supporting documents such as requests for payments, invoices, and other documents, a properly certified SF 1034 must be provided to the entitlement office identifying the correct total amount and fund cites to be processed.

0807 EMERGENCIES AND CONTINGENCY OPERATIONS

080701. Definitions

A. Emergencies. The Robert T. Stafford Disaster Relief and Emergency Assistance Act, defines emergencies as any occasion or instance for which, as determined by 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.

080702. PPA Exemption

Certain payments made during contingency operations, an emergency, or the release or threatened release of hazardous substances (as defined in 42 U.S.C. 5170-5195c) may not be subject to the requirements of FAR Subpart 32.9. Refer to DFARS 252.232-7011 and Volume 10, Chapter 7 for the policy detailing these exemptions.

080703. Simplified Acquisition Threshold

Title [41 U.S.C. 1903](#) provides detailed policy involving the simplified acquisition thresholds to support contingency operations and special emergency procurements. The contracting community is primarily responsible for ensuring the conditions for invoking 41 USC 1903 are met.

080704. [Standard Form \(SF\) 44, Purchase Order - Invoice - Voucher](#)

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. Refer to [FAR 13.306](#) and DFARS [213.306](#) for the conditions that must be satisfied in order to use the SF 44.

080705. 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. Refer to [DFARS 213.301 \(3\)](#) for information concerning the conditions that must be met.

080706. Certification Guidelines

In addition to a contract, receiving report, and an invoice, certifying officers involved in supporting emergencies and contingency operations **must ensure** the information below **is contained within the entitlement package**. This is to ensure that the entitlement to payment is valid to certify and make a contract or vendor payment if the payment is exempt from PPA. **Payments subject to PPA would fall within the requirements contained in Chapter 7.**

- 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

080707. Written Justification

In circumstances where information identified in paragraph 080706 is not present on one or more of the documents (i.e., contract, receiving report, [or the invoice](#)), the certifying officer may certify the payment if they can make a reasonable linkage among the documents. [The certifying officer must be](#) 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 provides a matrix tool to assist in identifying the critical data elements necessary to [perform a proper certification of](#) a payment made in support of an emergency or military contingency operation.

080708. 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.

080709. 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 1 MATRIX FOR PAYMENTS IN SUPPORT OF EMERGENCIES AND CONTINGENCY OPERATIONS

This annex provides a matrix tool to assist certifying officers 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 supporting their contracting activity, 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 \(DFARS\) 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 officer, 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 officer 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 officer can make a reasonable linkage between the two documents, then the certifying officer 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 officer 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 officer 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 080707 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 the TIN include: court order payments, foreign companies, foreign visitors, and U.S. Government agencies. Refer to paragraphs 080207 and 080304.C.				
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 policy.				
8.	A certifying officer 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.				

DoD 7000.14 - R



DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 10: “CONTRACT PAYMENT POLICY”

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**

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.

PARAGRAPH	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 HOJ627@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 asterisk (*) 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 2011](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Revised language throughout the chapter for clarity.	Revision
110101	Clarified the intent of the Department of Defense (DoD) Guidebook to consolidate and streamline miscellaneous payment procedures.	Addition
110102	Added Authoritative Guidance paragraph.	Addition
110201.A.	Added clarity for electronic submission of claims.	Addition
110201.B.	Added policy for manual submissions.	Addition
110201.C.	Added policy for providing Tax Identification Number.	Addition
110201.D.	Added policy for appropriate signature requirements.	Addition
110201.E.	Added policy for electronic and digital signatures.	Addition
110201.F.	Added certifying officer’s responsibilities.	Addition
110201.G.	Added policy for retention of documents.	Addition
110202.A.	Added reference to employee payments while in a missing status (Title 5 United States Code (U.S.C.), Section (§) 5562).	Addition
110202.B.	Clarified policy to require approving official signature prior to sending claim to certifying officer. Added requirement that documents supporting a claim for personally paid items must accompany the claim.	Addition
110204	Revised the paragraph title to clarify that policy is only for conference attendance while at a Permanent Duty Station (PDS). Conference attendance while in travel status is covered in Volume 9.	Revision
110204.A.	Added policy for the administration and oversight for conference attendance (DoD Conference Guidance 3.0).	Addition
110204.B.	Added policy for supporting documentation to accompany the claim.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
110205	Added policy requiring management official approval of claimant's statement prior to submission to certifying officer.	Addition
110205.B. (previous version)	Deleted policy involving contractual payments since they are not related to personal reimbursements.	Deletion
110206	Revised the paragraph title and added language to clarify professional expenses to obtain credentials.	Addition
110208.A. and B.	Created a separate paragraph for personnel held captive and clarified the claim approval requirements.	Addition
110210	Added policy requiring a reimbursement claim to be supported by a travel receipt.	Addition
110211	Added policy requiring proof of course completion is provided through appropriate Component channels to the certifying officer.	Addition
110212	Revised the paragraph title to accurately reflect the description of the expenditure. Added policy to require documentation to support the claim for reimbursement and incorporated approval requirements contained in DoD Instruction 7250.13.	Revision/ Addition
110213	Added policy requiring that the claimant must submit a claim, with applicable documentation and approved by designated management official, to the certifying officer.	Addition
110214	Clarified policy that claims must be submitted to the Head of the DoD Component prior to submission to the certifying officer.	Revision
110216	Revised special conveyances to read "local" conveyances and added policy that claims must be approved by the Component's designated official prior to submission to the certifying officer.	Revision/ Addition
110217	Added policy that claims must be supported by receipts and approved by the Component's designated official prior to submission to the certifying officer.	Addition
110219	Revised title of paragraph to mirror the statute (10 U.S.C. § 1482).	Revision
110219.A	Added policy requiring that claimant must submit a claim supported by receipts, and the designated official must approve the claim prior to submission to the certifying officer. Cited 10 U.S.C. § 1482 for reimbursement limitations.	Addition
110219.B	Added language that payments are made directly to the mortuary by the Government.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
110220.A. and B	Clarified policy that the claim must include paid itemized invoices from the service provider. Also clarified policy regarding need for the claimant's signature as well as those of the approving and certifying officer.	Revision
110220.B	Revised reference from TRICARE to Defense Health Agency.	Revision
110222	Added language requiring citation of the appropriate legal, statutory or other authority providing authorization for the specific reimbursement to Defense Security Service agents.	Addition

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CHAPTER 11

PAYMENT AS REIMBURSEMENT FOR PERSONAL EXPENDITURES

1101 GENERAL

*110101. Purpose

This chapter prescribes the policy for reimbursement to civilian and military members and others who have used personal funds to pay for Federal Government obligations. The Department of Defense [\(DoD\) Guidebook](#) for Miscellaneous Payments has been prepared by the Defense Finance and Accounting Service to assist DoD officials in identifying mandatory requirements prescribed for DoD miscellaneous payments. It provides a high level overview of policies and processes, with a goal of consolidating and streamlining miscellaneous payment procedures across the Components.

*110102. Authoritative Guidance

The policies prescribed throughout this chapter pertaining to claims for personal expenditures are based on laws and regulations cited herein.

1102 PERSONAL EXPENDITURES

*110201. General

It is the Department's policy that military and civilian personnel follow standard personnel reimbursement procedures established by their Component or activity and avoid using personal funds to pay for Federal Government obligations. However, personnel will be reimbursed if the underlying expense was authorized or if there was an urgent and unforeseen public necessity and the claim is legally payable. Personnel will not use this policy to avoid the use of standard personnel reimbursement procedures established by their command or agency or to circumvent other laws or regulations.

* A. Use of electronic submissions is preferable when requesting reimbursement for personal expenditures. The electronic claim must contain all the elements of the [Standard Form \(SF\) 1164](#), Claim for Reimbursement for Expenditures on Official Business, unless the Component's system captures the same data elements through some other system functionality that can be directly linked to the claim and support both internal and external audit requirements.

* B. In lieu of electronic submissions, the SF 1164 is the authorized form used in requesting reimbursement for personal expenditures outlined in this chapter.

* C. All payments require claimants subject to the United States (U.S.) Internal Revenue Service (IRS) code provide a Tax Identification Number (TIN) in

accordance with [Title 31 United States Code \(U.S.C.\), section \(§\) 3325\(d\)](#). For personnel, the TIN must be the claimant's Social Security Number.

* D. All claims for reimbursement must be submitted in accordance with the DoD and Component's submission policies and procedures (electronic or manual). All claims must be signed by the claimant, and the appropriate approving and certifying officers prior to being paid.

* E. Personnel may use electronic and digital signatures to approve and certify financial documents processed through automated information systems (Volume 5, Chapter 1, paragraph 010305.C).

* F. Certifying officers must approve the claim prior to disbursement to ensure that the information on the vouchers agrees with all supporting documentation. Certifying officers certify that the claims/vouchers are correct and proper for payment from the appropriation(s) or other funds cited on them or on supporting vouchers, and that the proposed payments are legal, proper, and correct (Volume 5, Chapter 5, Section 0504 and 0505).

* G. To ensure auditability, and to validate entitlement systems' payment records, a copy of all supporting documentation must accompany each payment request as prescribed by the DoD Guidebook for Miscellaneous Payments and/or local requirements. Refer to Volume 1, Chapter 9 for financial records retention policy. Supporting documentation includes, but is not limited to, receipts, tickets, and invoices. Certifying officers are responsible for retention of all payment documentation (Volume 5, Chapter 5).

*110202. 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 **must** prepare a claim for reimbursement and place the following statement on the **claim or attach to the claim**: "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 **must** sign and date the **claim**. **An official designated in the Component or Activity procedures must approve the claim prior to forwarding to the certifying officer.** Documents supporting the certified vouchers must show goods or services were received and essential. **Mission-related expenses incurred while in a travel status are not payable on a travel voucher and/or by using the Defense Travel System.** The Joint Travel Regulations (JTR), [Appendix G](#) for military uniformed service members and DoD civilian personnel **prescribe items allowable for reimbursement while in travel status.** Also, refer to [5 U.S.C. § 5562](#) for employee payments while they are in a missing status as defined in [5 U.S.C. § 5561](#).

* B. Non-government Personnel. Claims **submitted for reimbursement require signatures** by the claimant, **the approving official**, and by an authorized **certifying officer**. A certified copy of the document requesting the person to perform services or **documentation showing personally paid** items must support the claim.

110203. 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 of expenses is also authorized to place into serviceable condition, improve, and maintain equipment (including aircraft, motor vehicles, computers, and communications equipment) owned or leased by the Civil Air Patrol. See [10 U.S.C. § 9444](#).

*110204. Permanent Duty Station 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, specific management approvals, and the member's work responsibilities. Conference attendance expenditures which contribute to improved conduct, supervision, or management of the DoD Components' functions and activities may be authorized as prescribed by Volume 9. Refer to the [DoD Conference Guidance 3.0](#) for the administration and oversight of all conferences, including those conferences that the DoD hosts and those that DoD personnel attend.

* 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 ([JTR, Appendix R](#)). Documentation supporting that approval must accompany the claim for reimbursement.

*110205. 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 U.S.C. § 5945](#). Reimbursable expenses include the cost of seals, embossing devices, recording and filing fees, and surety bonds required for notaries by state laws. DoD Components will not make reimbursements for claims related to dues for notarial professional associations or other non-essential services. The claim for reimbursement of commission expenses must include a statement that the notary commission is required in the performance of official duties as designated in Component or Activity procedures. The claimant's statement must be approved by a management official prior to submission to the certifying officer. There is no statutory authority for payment of these expenses to military members.

*110206. Professional Credentials and Specialty Board Examinations

Reimbursement for expenses to obtain professional credentials may be authorized for fees for the application, examination, certification, and other related expenses. The authority for reimbursement of professional accreditation fees is prescribed by [5 U.S.C. § 5757](#).

110207. Passports and Visas

When DoD employees and their dependents are officially required to obtain passports or visas, as referenced by [JTR, Chapter 2, Part A, \(2015\)](#), reimbursement is authorized by the [Foreign Clearance Manual \(C3.2.2.1.2\)](#).

*110208. Personnel Held Captive

* A. U.S. military personnel held captive who barter personal valuables during escape and evasion [may file a claim for reimbursement](#). The claim submitted for reimbursement [must list the value of each article and show its age and condition at the time of barter](#). The [appropriate commander or management official must approve the claim prior to submission to the certifying officer](#).

* B. Civilian personnel who barter personal valuables during escape or evasions should [consult with their Component's legal counsel in preparation of the claim](#). The [claim must be approved by the designated Component's official prior to submission to the certifying officer](#).

110209. Room and Board for Dependent Children

In limited circumstances, the cost of room and board is reimbursable to sponsors of dependent children who require room and board away from their domicile (not within commuting distance) [as prescribed by 5 U.S.C. § 5924](#). Also, see DoD 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. [A receipt covering the actual payment of room and board by the sponsor is required to support the claimed amount](#). [Additionally, a signed statement is required from the school superintendent or principal that room and board charges are reasonable for the area and there was nothing available as a less expensive alternative for providing adequate education at a school within the same comparable distance](#).

*110210. Travel for Dependent Children

When DoD operated schools are unavailable overseas, [the DoD Dependent School System will coordinate the placement of 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 U.S.C. § 5924 (4). [The claim for reimbursement must be supported with a travel receipt](#).

*110211. Continuing Medical Education Program

Individuals enrolled in approved medical correspondence courses may be reimbursed for course costs prior to course completion. [The claimant must timely provide satisfactory proof of course completion through appropriate Component channels to the certifying officer to avoid debt collection procedures being initiated for perceived non-completion of the course](#).

*110212. Official Representation

The authority to use appropriated funds for official representation purposes is authorized by [10 U.S.C. § 127](#) and the DoD policy and implementation of this authority is provided in [DoD Instruction \(DoDI\) 7250-13](#). The Heads of DoD Components authorize the expenditure of Official Representation Funds by authorized individuals or their designees only for official purposes detailed in accordance with 10 U.S.C. § 127 and DoDI 7250-13. The claim for reimbursement must be supported by receipts for personal expenditures and approved by the official designated in the DoDI 7250-13 prior to forwarding to the certifying officer for certification.

*110213. Awards Ceremony Fees

Fees paid by award nominees, award recipients, their supervisors and managers attending ceremonies may be reimbursed by the Government when those expenditures fall within the scope of the Government Employees Incentive Awards Act, ([5 U.S.C. § 4501-4506](#)) and ([10 U.S.C. § 1124](#)). Fees may cover items such as a meal, refreshments, plaques, and awards. The DoD will not authorize advance payments. Individuals will request reimbursement on travel vouchers. However, to obtain reimbursement in the event travel orders are not issued, the claimant must submit a claim, with applicable receipts and approved by the designated management official, to the certifying officer.

*110214. Defense Attaché Payments

Expenses are authorized and reimbursable for military attaché officers to maintain suitable official residence, and may vary by location. The claimant must submit a [DD Form 281](#), Voucher for Emergency or Extraordinary Expense Expenditures, to request and receive reimbursement. The Head of the DoD Component must approve claims submitted for reimbursement prior to submission to the certifying officer. Title 10 USC, Section 127 prescribes policy for emergency and extraordinary expenses. The Defense Intelligence Agency Manual 100-1, Volume II, and the Defense Attaché Manual for Administration prescribe additional information regarding attaché reimbursements.

110215. 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, JTR, Chapter 1, Part C \(1225\)](#), and appropriate DoD Component regulation.

*110216. Reimbursement for Use of Local Special Conveyances

The [JTR Chapter 3, Part D \(3300\)](#) prescribe allowable reimbursements for commonly incurred expenses associated with public or special conveyances used for transportation expenses incurred in and around duty stations. The claim for reimbursement must be supported by receipts, and be approved by the Component's designated official, prior to submission to the certifying officer.

*110217. Official Recruiting Duty

Military members assigned to a recruiting organization or assigned recruiting duties as either a primary or an additional duty are authorized reimbursement for actual and necessary expenses paid from personal funds. The JTR, Chapter 7, Part X (7625-A) prescribes policy for reimbursement for actual and necessary costs. The claim for reimbursement must be supported by receipts and be approved by the Component's designated official prior to submission to the certifying officer.

110218. Reimbursement for Local Movement of Household Goods

When local moves of household goods of military personnel are authorized in accordance with the JTR, Chapter 5, Part A (5258) and the moves are made at personal expense, the claimant must submit a claim for reimbursement to the designated entitlement office. The claimant must provide a copy of the order directing the move, a copy of the authorization to move household goods at personal expense, and a retained copy of the paid receipt to support the claim. The claimant will be reimbursed for documented receipts and expenses claimed in accordance with the JTR.

*110219. Expenses Incident to Death of Personnel

* A. General. Specific Service regulations authorize and prescribe the services and expenses for the care of deceased personnel. Title 10 U.S.C. § 1482 authorizes payment for services, supplies, transportation, and other expenses incurred by the next of kin. The claimant must submit a claim for reimbursement supported by receipts for personal expenditures. The designated official at the Component must approve the claim prior to submission to the certifying officer. Title 10 U.S.C. § 1482 establishes limitations regarding the amount of reimbursement.

* B. Primary Expenses. A contract with a local mortuary can cover primary expenses for active duty military. Payments for primary expenses, covered by the Prompt Payment Act, are paid directly to the mortuary by the Government.

C. Secondary Expenses. 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.

*110220. Reimbursement for Civilian Medical and Dental Treatment Paid from Personal Funds

* A. Members. The cost of authorized civilian medical and dental treatment is ordinarily paid directly to doctors and hospitals by each Military Service. However, individuals who have paid the expense of authorized care must submit a claim for reimbursement. The claim must include paid itemized invoices from the service provider, the claimant's signature on the face of the form as well as those of the approving and certifying officers.

* B. Dependents of Members and Retired Personnel. Title 32 Code of Federal Regulations (CFR) 199 prescribes policy for civilian non-Federal medical and dental care for dependents and retired personnel. The Defense Health Agency is responsible for contracting and paying for medically necessary care from civilian sources received by eligible dependents and retired personnel. When Military 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. The claimant who paid the expense of authorized care must submit a claim for reimbursement. The claim must include paid itemized invoices from the service provider, and the claimant's signature as well as those of the approving and certifying officers.

C. Civilian Personnel. Title 5 CFR 339.203 prescribes policy for the authorization of physical examinations to determine an employee's fitness for duty, when directed by the commanding officer or supervisor. 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 are processed in the same manner as other contractor invoices or the employee may submit a claim for reimbursement. The employee must submit a claim for reimbursement to the appropriate official for approval prior to submission to the certifying officer. The claim must contain a chargeable line of accounting, and amount payable supported by a paid statement from the physician or other evidence of payment. The Activity requiring the physical examination must charge the request for reimbursement to their operating funds.

110221. Reimbursement Expenses under Government Employees Training Act

Title 5 U.S.C. § 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 must include receipts for each payment of \$25 or more. The claim for reimbursement must include details of the expenditures such as services received and dates rendered, and signatures of the claimant, approving official and be certified by an authorized certifying officer prior to payment.

*110222. Reimbursement of Miscellaneous Expenses to Defense Security Service (DSS)

DSS agents are authorized reimbursement for investigative costs, such as parking fees, police and court record checks, transcripts, photographs, or miscellaneous investigative fees. The DSS Headquarters must provide the servicing entitlement office its accounting classification citation for the reimbursement. The citation of the appropriate legal, statutory or other authority providing for the authorization of the reimbursement must appear on the claim for reimbursement. The claimant must submit a claim for reimbursement supported by receipts and approval signatures from designated DSS management officials.

VOLUME 10, CHAPTER 12: “MISCELLANEOUS PAYMENTS”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an asterisk (*) 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
120101	Clarified the use of the Department of Defense (DoD) Guidebook for Miscellaneous Payments and the Department’s goal to consolidate and streamline miscellaneous payment procedures.	Revision
120102	Defined a miscellaneous payment.	Addition
120102.A	Clarified the use of forms or an electronic equivalent to claim reimbursement of a miscellaneous expense.	Revision
120102.B	Added policy for supporting documentation.	Addition
120102.C	Added the requirements for a designated approving official.	Addition
120102.D	Clarified the certifying officer’s responsibilities.	Revision
120102.E	Clarified policy that payments must be made from current year funding unless specifically noted otherwise.	Addition
120102.F	Added policy reference for personally identifiable information (PII).	Addition
120102.G	Added reference to current policy on documentation retention.	Addition
120103	Added reference for authoritative guidance	Addition
120202	Added policy reference for the establishment of the Judgment Fund (Title 31 United States Code (U.S.C.), Section (§) 1304).	Addition
120204	Revised reference from Title 41 U.S.C. § 7108 to 28 U.S.C. § 2412.	Revision
120205	Added the bid protest policy within the Federal Acquisition Regulation (FAR) and deleted the policy associated with Comptroller General handling of bid protests because the FAR provisions are broader and also cover the Comptroller General related provisions.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
120205.B	Added policy requiring bid protesters to submit a certification statement when claims exceed \$100,000.	Addition
120206.A	Added reference to the Federal Tort Claims Act and the requirements of the Act for payment of claims.	Addition
120206.C	Added policy for Federal Tort Claims submissions prescribed by Title 28 Code of Federal Regulations (CFR), Part 14 to include claim documentation requirements.	Addition
120207.A	Added policy for Foreign Claims Act claims commissions.	Addition
120207.B	Added hyperlink for Defense Finance and Accounting Service offices supporting overseas locations.	Addition
120207.C	Added requirement that the investigation and adjudication of foreign claims should be referred to the Service's respective Judge Advocate General office.	Addition
120208.A.	Revised hyperlink from 41 U.S.C. § 601-613 to 41 U.S.C., § 7103 resulting from renumbering of Title 41. Also added requirement that the execution of the contract modification must take place prior to the entitlement of the contractor's invoice. Added requirement that the claim and any related interest are payable upon resolution of the dispute.	Addition
120209.A, B	Revised reference to Treasury's Bureau of the Fiscal Service from its previous name, Financial Management Service. Clarified policy regarding the source of funding for reimbursement of the Judgment Fund.	Revision
120209.C	Revised hyperlink from Title 41 U.S.C. § 601-613 to 41 U.S.C. § 7101-7109 resulting from renumbering of Title 41. Clarified policy regarding the source of funding for reimbursement of the Judgment Fund.	Revision
120209.D	Added statutory reference to 28 U.S.C. § 2412 for payment of attorney fees and the source of funds to pay these fees.	Addition
120210	Clarified the policy regarding the appropriation to be used to reimburse Treasury for payments made from the Judgment Fund.	Revision
120211.C	Added policy that additional appropriations may be required to pay interest payments for claims involving an antecedent liability.	Addition
120212	Added policy authorizing claims for rewards or expenses for the return of personnel to military control.	Addition
120212.A	Added policy regarding rewards authorized for return of absentees.	Addition
120212.B	Added policy regarding authorized expense reimbursements related to return of absentees.	Addition
120212.C	Added reference to DoD Instruction 1325.02 for travel and related policy for expenses associated with absentee or deserter transportation expenses.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
120213.B	Added policy requiring Taxpayer Identification Number or Social Security Number for cash award payments to military members.	Addition
120214.B.2	Added policy limiting rewards for recovery of lost DoD property to \$500 and clarified the supporting documentation required for payment.	Addition
120301.A	Added policy requiring contracting officers to obtain written authorization prior to advertising in newspapers.	Addition
120301.A.1	Added policy as stated in the Defense Federal Acquisition Regulation Supplement (DFARS) identifying the assigned authority to approve paid advertisements in newspapers.	Addition
120301.B	Added policy for payment of claims for radio advertising.	Addition
120302	Clarified policy requiring the funding for and payment of, arbitrator services	Revision
120303	Added reference to the DoD regulation covering the lease/purchase requirements for motor vehicles.	Addition
120304	Added policy covering the purchase of blood supplies through civilian contracts.	Addition
120305	Added reference to the DoD Instruction that specifies the authorized amounts that can be paid per year for uniform allowances.	Addition
120306.A, B	Added reference to the DoD Instruction covering separation of male and female prisoners, and added policy covering supplies issued for personal hygiene for prisoners in a non-pay and pay status.	Addition
120308.A, B	Clarified policy for computing demurrage charges for gas cylinders or drums beyond the contract free period to include coordination with contracting officers to ensure the costs are not already covered by a contract.	Revision
120309.C	Added policy requiring certifying officer's signature on claims for reimbursements of investigator expenses.	Addition
120309.D	Updated policy reference from 41 U.S.C. § 612 to 5 CFR 1201.201 for expenses involving discrimination complaints.	Revision
120311	Clarified policy on hospital accreditation fees reimbursement and required deposit amounts.	Revision
120312	Added policy reference and clarified policy for the reimbursement to military personnel for lost or damaged clothing.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
120313.A, B	Added requirement for claimant to submit an itemized invoice from the health care provider as part of the documentation necessary for payment for dependent and retired personnel medical care provided by civilian non-federal sources. Also clarified the billing requirements for military members for medical services provided by civilian non-federal sources.	Addition
120314 (previous version)	Deleted policy covering the payment of handling charges associated with contracts since they should be payable through the contract payment process and are not considered a miscellaneous payment.	Deletion
120314	Added policy covering payment for security and firefighting services to distinguish from policy covering payment for municipal services.	Addition
120315	Added policy reference for municipal services (DFARS 241.1 and 241.2).	Addition
120317	Added policy that the claim must be supported by expense documentation.	Addition
120318.C	Added policy requiring Components to ensure funds are set aside and available before entitlement, certification and payment for fire protection.	Addition
120319.B	Added requirement that for claim reimbursements must be supported by receipts and approved by the designated officer (DoDI 7250.13).	Addition
120320	Revised hyperlink from the cancelled Department of Defense (DoD) Directive 6230.1 to 40 CFR 141, Subpart C (Drinking Water Regulations).	Revision
120321.A	Added policy reference for the purchase of health and comfort items for personnel confined on base in a non-pay or pay status (DoDI 1325.07).	Addition
120321.B	Added policy for provision of essential clothing whether in a pay or non-pay status.	Addition
120322.A.1	Revised reference from 10 U.S.C. § 1588 to DoDI 1100.21.	Revision
120322.C	Added policy for local Components to establish procedures to confirm the number and active statuses of the phone lines/numbers being billed, as well as any other additional charges. Relocated unofficial calls and services language from 120326.F previous version.	Addition
120322.E	Revised policy reference to Operations Navy Instructions (OPNAVINST) 2060.08A specifying that the use of the Navy's communication system is at the commanding officer's discretion, deleted obsolete reference to NAVCOMPT Form 2054-(3C) replaced by Defense Department (DD) Form 1131.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
120313.A, B	Added requirement for claimant to submit an itemized invoice from the health care provider as part of the documentation necessary for payment for dependent and retired personnel medical care provided by civilian non-federal sources. Also clarified the billing requirements for military members for medical services provided by civilian non-federal sources.	Addition
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CHAPTER 12

MISCELLANEOUS PAYMENTS

1201 GENERAL

*120101. Overview

This chapter prescribes policy for certain miscellaneous payments. The Department of Defense ([*DoD Guidebook for Miscellaneous Payments*](#)) is available to assist DoD officials in identifying mandatory requirements prescribed for DoD miscellaneous payments that are not specifically addressed in this chapter due to the varied types of miscellaneous payments, including those not specifically addressed in this chapter. This guidebook also provides a high-level overview of policies and processes with the goal of consolidating and streamlining miscellaneous payment procedures across the Department.

*120102. Purpose

A miscellaneous payment occurs as a result of a claim for payment or reimbursement of a valid non-recurring, non-contractual expense of the DoD, not payroll related for a military or civilian member, and for which use of the Government Purchase Card (GPC) is not feasible or appropriate. Miscellaneous payments are subject to the obligation policy identified in Volume 3, Chapter 8.

* A. The [*Standard Form \(SF\) 1034*](#) or an electronic equivalent is the most common authorized form to be used in claiming payment or reimbursement for miscellaneous expenses. Refer to the DoD Guidebook for Miscellaneous Payments for specific information related to other forms that may be used depending on the type of miscellaneous expense, as well as the documentation requirements to support the request for payment. Volume 10, Chapter 8, and Volume 5, Chapters 5 and 9 prescribe policy addressing payment vouchers.

* B. To establish auditability and to validate entitlement systems and payment records, a copy of all supporting documentation must accompany each payment request as prescribed by the DoD Guidebook for Miscellaneous Payments. Components must ensure the documentation is of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the entitlement to include the authority for the reimbursement as a liability of the DoD, as well as its value, timing and funding source. The supporting documentation must clearly identify the parties approving and certifying the payment.

* C. A designated approving official is the individual, appointed by the commanding officer, director or designee, with oversight responsibility to ensure that all payments or request for reimbursement transactions are necessary and for official government purposes only. Components may also assign fiduciary responsibility to these approving officials in accordance with Volume 5, Chapter 5. Accountable officials are responsible for providing information and data to certifying or disbursing officials in support of the payment process by attesting to the accuracy of information and data provided. Approving officials will review all

claims and verify that the request for payment, or request for reimbursement for services rendered or goods provided, has been received in accordance with Component procedures.

* D. All payment requests must be supported by proof of receipt, approved by a designated approving official and certified by a properly appointed certifying officer prior to forwarding to the disbursing officer for approval and disbursement. Refer to Volume 5, Chapter 5 for policy regarding the appointment of certifying officers and the proper distribution of the Defense Department (*DD Form 577*, Appointment/Termination Record – Authorized Signature, to the appropriate disbursing office. Certifying officers are responsible for making supporting documentation available for review by authorized personnel as stated in Volume 5, Chapter 5.

* E. Components must ensure all miscellaneous claims are paid from current year funding, unless specifically noted otherwise. All requests for payment or reimbursement of miscellaneous expenses must contain a valid line of accounting with funds obligated as specified in Volume 3, Chapter 8. Processing of the request for payment through a DoD payment system may require the configuration of unique standard document numbers.

* F. All payments require payees subject to the U.S. Internal Revenue Service (IRS) code to provide a Tax Identification Number (TIN) in accordance with Title 31 United States Code (U.S.C.), *section (§)3325(d)*. In accordance with *DoD Directive 5400.11*, Components must safeguard the privacy of all individuals and the confidentiality of all personally identifiable information (PII), and take action to ensure that any PII contained in a system of records that they access and use to conduct official business will be protected so that the security and confidentiality of the information is preserved.

* G. Volume 1, Chapter 9 prescribes DoD policy regarding the retention period of financial records in support of these payments.

*120103. Authoritative Guidance

Policy contained in this chapter pertains to various types of miscellaneous payments. Refer to each individual miscellaneous payment subject for the authoritative reference.

1202 FEES, CLAIMS, AND AWARDS

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

Title 5 U.S.C. § 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 Judgment Fund, which is administered by the United States Department of the Treasury, Bureau of the Fiscal Service. Such fees are payable 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 attorneys' 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. [Components must make payments from](#) funds current at the time of the attorney fee award determination.

C. Litigation involving record or FOIA determinations of multiple organizations may require funding responsibility to be allocated among such organizations. Counsel that is responsible for defending the litigation is ordinarily 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. [The Judgment Fund was established to pay court judgments and Justice Department compromise settlements of actual or imminent lawsuits against the government \(31 U.S.C. § 1304\)](#). Additionally, the DOJ, [with the approval of the Department of Treasury, Bureau of the Fiscal Service, is able](#) to make payments of properly awarded attorney fees. Fees awarded in discrimination cases are exceptions. See paragraph 120309 for more policy on discrimination cases. Attorney fees must be awarded by a court of competent authority and [are normally paid from the Judgment Fund](#). If such fees are not payable from this appropriation, then the DOJ provides guidance on a case-by-case basis for payment of these fees.

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 U.S.C. § 504](#) authorizes payment of attorney fees and other expenses incurred by the prevailing party (other than the United States) in civil actions and administrative proceedings. The party prevailing against the Department in [the](#) adversary adjudication or a court action may obtain an award of attorney fees and other expenses incurred in connection with the proceeding.

1. In adversary adjudications, [the](#) 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 U.S.C. §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 U.S.C. § 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 payable from funds available to the DoD activity at the time of the award. Attorney fees payable under EAJA are limited to \$125 (5 U.S.C. § 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 any study, analysis, engineering report, test or project necessary for the preparation of the party's case. Make the 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

Payments made by the Treasury Department to the contractor will not include attorney fees payable in connection with an action filed by a contractor under the Contract Disputes Act of 1978 ([41 U.S.C. § 7101-7109](#)). Attorney fees awarded in these cases are payable from funds current at the time the award is made and available to the activity accountable for the contract obligation ([28 U.S.C. § 2412](#)).

*120205. Awards Made to Bid Protesters

[Federal Acquisition Regulation \(FAR\) Subpart 33.1](#) prescribes policies and procedures for filing and processing bid protests. Protests can be submitted to the contracting agency, Comptroller General, or the United States Court of Federal Claims. [FAR 33.102\(b\)\(2\)](#) provides that the Comptroller General may award certain costs to the bid protester if it is determined that a solicitation for a contract, proposed award, or award of a contract did not comply with the requirements of law or regulation. These costs may include costs associated with filing and pursuing the protest, consultant and expert witness fees, bid/proposal preparation, and reasonable attorney fees. The agency must use funds available for the procurement to pay the costs awarded ([FAR, Subpart 33.104\(h\)\(1\)](#)). Refer to [31 U.S.C. § 3554\(c\)\(2\)\(A\)-\(B\)](#) for cost and fee reimbursement limitations.

A. Payment of the costs must occur within 30 days of their determination and acceptance by the contracting office. A copy of the decision, along with a statement of costs incurred and approved by the contracting officer must be used to support the certification of payment.

* B. A successful bid protester must provide a certification when submitting a claim exceeding \$100,000 in accordance with [FAR 33.207](#).

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

* A. The Secretary of Defense or designee is authorized to pay claims against the United States for monetary damages. [The Federal Tort Claims Act](#) (FTCA) permits private

parties to file a claim against the United States for damages to or loss of property, or personal injury or death, caused by the negligent or wrongful act or omission of an employee of United States acting within the scope of his office or employment, under circumstances where the United States, if a private person, would be liable to the claimant in accordance with the law of the place where act or omission occurred. When an award is in excess of \$25,000, or in excess of the authority delegated to the agency by the Attorney General pursuant to 28 U.S.C. § 2672, whichever is greater, an SF 1145 must be accompanied by evidence that the award, compromise, or settlement has been approved by the Attorney General or his designee (28 CFR, Part 14.10).

B. Persons designated to approve or disapprove claims cited under [this regulation](#) or other applicable statutes 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, must be sent to the appropriate office for payment of the public voucher. Claims approved by other designees should be forwarded to the local entitlement office that [supports](#) the approving authority for payment of the public voucher.

* C. Awards are payable from the Department's appropriations. Refer to 28 CFR, Part 14.10 for the appropriate claim documentation requirements, applicable threshold amounts, and execution requirements of the claimant. In accordance with 28 CFR 14.10, when an attorney represents a claimant, the voucher for payment shall designate both the claimant and his attorney as payees; and the check shall be delivered to the attorney, whose address shall appear on the voucher.

*120207. Claims under the Foreign Claims Act

* A. The Foreign Claims Act (10 U.S.C. § 2734) authorizes the Secretaries of the Military Departments, or their designee, to appoint claims commissions to approve or disapprove claims cited under the Act. The composition of a claims commission may include one or more officers or employees or combination of officers or employees of the armed forces. The commission may settle and pay in an amount not more than \$100,000 for a claim against the United States. Title 10 U.S.C. § 2734 covers claims for damages to or the loss of real property, damage to or loss of personal property, and personal injury to or death of any inhabitant of a foreign country.

* B. These commissions also may approve or disapprove claims under international agreements cited under 10 U.S.C. § 2734b. [Commanders, directors, or other designated officials of the Department](#) should contact the local office of counsel or their judge advocate office for the regulations governing the preparation, submission, adjudication, and payment of these claims. Claims approved [must](#) be forwarded to the nearest [Component's designated payment office](#) or the nearest Defense Finance and Accounting Service (DFAS) payment office. Use the [Vendor Pay Office Search](#) hyperlink found under the "DFAS Reference Tool" tab to identify the DFAS entity supporting the country concerned.

* C. Military Service personnel should consult with their respective Judge Advocate General office to identify the requirements for the investigation and adjudication of foreign claims to ensure approved local procedures are followed for processing these claims.

*120208. Payment to Contractor When Contracting Officer Approves Claim under the Contract Disputes Act of 1978

* A. If funds for the claim are available and the contractor does not appeal the contracting officer's decision, then settlement of the claim is to be made by the responsible entitlement office from funds cited on the contract (41 U.S.C. § 7103, FAR Subpart 33.2 and FAR 52.233-1).

1. After final agreement with the contractor, the contracting officer must modify the contract, accomplished with an SF 30, Amendment of Solicitation/Modification of Contract, to obligate the funds for payment and document support for the payment. The execution of the contract modification must take place prior to entitlement of the contractor's invoice.

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. Claims involving disputes, and any interest due, are payable upon resolution in accordance with the Disputes clause (FAR, Subpart 33.208).

B. If funds to pay the claim 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 a settlement of the claim from the Judgment Fund. Reimbursement to the Judgment Fund will subsequently be required upon receipt of a bill from the Treasury Department. This reimbursement may come from current and available funds or by obtaining additional funds (41 U.S.C. § 7108) as stated in paragraph 120210. The policy for payment of amounts under the Contract Disputes Act by the ASBCA or the Court of Federal Claims is in paragraph 120209.B.

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

* A. Court action may result as identified in 28 U.S.C. § 2412 and 28 U.S.C. § 2414 when the DoD terminates a contract. While settlement of the contractor's termination claim falls within paragraph 120208, a separate payment may be due the contractor when a final judgment occurs from the separate court action against the Department. When settlements have been rendered, the transcript of the court judgment against the Department must be forwarded by the DoD organization directly to the Bureau of the Fiscal Service using the methods prescribed by Treasury Financial Manual (TFM) Volume 1, Part 6, Chapter 3100, Section 3125.10 (except for claims settled under the Contract Disputes Act of 1978 as noted in paragraph 120208.B).

B. The Bureau of Fiscal Service administers and certifies payments from the Judgment Fund for the settlement and final judgment by the United States District Courts and on

final judgments by the Court of Federal Claims (TFM 6-3100, Volume 1, [28 U.S.C. § 2517](#) and [31 U.S.C. § 1304](#)). Reimbursement of the Judgment Fund is payable from funds current at the time the award is made and available to the activity accountable for the contract obligation.

* C. Title 41 U.S.C. § 7108 covers payment of claims filed under the Contract Disputes Act of 1978 (41 U.S.C. § 7101-7109 and FAR 33.2 and 52.233-1). 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 when certain conditions are met as established by 31 U.S.C. § 1304. Amounts owed may include interest from the date the claim was received by the contracting officer to the date of payment. Reimbursement of the Judgment Fund is payable from funds current at the time the award is made and available to the activity accountable for the contract obligation.

* D. Payment of attorney fees claimed by the contractor may not be included in amounts paid from the Judgment Fund in these cases. Attorney fees awarded in these cases will be payable out of funds current at the time the award is made and available to the activity accountable for the contract obligation ([28 U.S.C. § 2412](#)).

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

Upon certification by the Bureau of the Fiscal Service (Treasury Financial Manual, Volume 1, Part 6, Chapter 3100), 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 not charged to the original fiscal year appropriation that funded the contract, unless the original appropriation was still current at the time of the judgment (Volume 3, Chapter 8).

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

A. Applicable interest rates are established and reported by the Secretary of the Treasury Department ([31 U.S.C. § 3902](#)) in January and July of each year on the [Treasury Department](#) website.

B. In accordance with [FAR 33.208](#) the Government will pay interest on the amount due from the date that the contracting officer receives the claim or the date that the payment is due if that date is later.

* C. If claims involve antecedent liability, then interest payments are chargeable to the appropriation(s) current at the time the basic contract was executed (Volume 3,

Chapter 8) or by obtaining additional appropriations for purposes of reimbursement (Title 41 U.S.C. § 7108).

D. Claims covered by this section exclude interest penalty claims applicable to the Prompt Payment Act (PPA) cited in [5 CFR 1315](#). Public Law (PL) 107-117, Div. A, Title VIII, [Sec. 8084](#) requires that 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 the defense agency with which the invoice or contract payment is associated. All interest payments will be charged to the fiscal year(s) in which they accrue. In a case of cancelled appropriations, the current fiscal year will be charged any interest payment [\(31 U.S.C. § 1553 \(b\)\(1\)\)](#).

*120212. Return of Absentees

The [DoD Instruction 1325.02](#) provides policy that authorizes payment of claims for rewards or expenses (but not both) associated with apprehending, detaining, or delivering absentees, deserters or escaped military prisoners to military control.

* A. [Rewards](#). Receipt of any authorized communication, oral or written, from a military or Federal law enforcement official or agency requesting active cooperation in the apprehension or delivery to military control of an absentee or deserter wanted by the Military Services, will constitute the basis for a reward. Payment of a reward will not exceed that amount identified in [10 U.S.C. § 956](#) for apprehending absentees, deserters, parole and mandatory supervised release violators.

* B. [Expense Reimbursements](#). The DoD Instruction 1325.02 authorizes reimbursements for reasonable and actual expenses incurred in the apprehension, detention, or delivery to military control of an absentee, deserter, or parole and mandatory supervised release violators. The cost of detention expenses furnished to military personnel placed in their custody for safekeeping at the request of military authorities may be reimbursable to civil authorities. These expenses may be reflected in a per day or daily room and board charge that the detention facility normally charges other legal jurisdictions for similar prisoner custody services.

* C. [Charging of Expenses](#). Authorized payments and cost of travel of the guards assigned to absentees or deserters shall be charged to the parent Military Service's military personnel appropriation (DoD Instruction 1325.02).

D. [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.

E. [Voucher Preparation and Support](#). After the apprehended member's release from civilian detention to military control, an SF 1034, or an electronic equivalent, must be prepared and certified by the personnel officer or other certifying officer designated by the

commanding officer of the activity. In addition to the other routinely required data items on an SF 1034, the following information must also be shown on the voucher [or attached](#):

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,
4. 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 desirable, and
5. An itemized statement of allowable expenses [if reimbursement of actual expenses is being claimed](#).

F. Payment. Upon receipt of the SF 1034 [or electronic equivalent](#), the entitlement office [will](#) review the voucher for its propriety and if proper, [approve the voucher for disbursement by the designated disbursing official](#).

***120213. 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 [the](#) award, the Executive Secretary of the Suggestion Awards Committee [or designee must](#) prepare, [sign](#), and submit a claim [on an SF 1034, an electronic equivalent or other Component established form](#) (plus a copy of the Suggestion Award Certificate) to the entitlement office. [The SF 1034 must contain the Taxpayer Identification Number or Social Security Number of the payee.](#)

C. The [award](#) payment will be [payable](#) against current funds available from the Component which [was](#) the member's [duty assignment](#) at the time the suggestion, invention, or achievement was submitted. Federal and state income tax withholding [is a requirement](#) on all cash awards. The claim for payment [requires submission on an SF 1034 or electronic equivalent that](#) 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](#).

***120214. Rewards for Recovery of Lost DoD Property**

Under [10 U.S.C. § 2252](#), certain rewards are authorized and paid as follows:

- A. Commanders may offer rewards for recovery of lost property.
- B. The 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 a 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, and
- c. The payment is not inconsistent with local laws, prevailing customs or practices, treaties, or international agreements.

* 2. A military department shall not pay a reward of more than \$500 in any case. Rewards are payable from the current funds available for the Component concerned. The voucher submitted for payment must be supported with a copy of the offer of reward, a statement by the commanding officer or designated representative that the conditions for payment of reward and accountability for the property have met all conditions.

1203 PURCHASES OF SPECIAL ITEMS AND SERVICES

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

*120301. Advertising

* A. Newspapers. In accordance with 44 U.S.C. § 3702 and FAR Subpart 5.5, contracting officers must obtain written authorization prior to advertising in newspapers, trade journals, and similar publications, from the cognizant DoD Component Head or from a person who has received written delegation of authority from the Head of a DoD Component (5 U.S.C. § 302(b)). Such delegation of authority cannot be re-delegated. Newspaper advertisements are not payable unless the claim includes the advertising bill and a copy of the written authority. Requirements for payment and retention of documents are:

* 1. Providing Substantiating Documentation. All invoices submitted to the purchasing office must be supported by an affidavit of publication or a copy of the publication or advertisement (known as a "tear sheet"). The officer placing the advertisement will attach evidence of authority to advertise to the invoice and forward the invoice to the designated entitlement office. Except in cases of blanket authority to advertise, Heads of contracting activities are delegated authority to approve the publication of paid advertisements in newspapers as prescribed by Defense Federal Acquisition Regulation Supplement (DFARS) Subpart 205.5. If advertising was authorized by a delegated officer, then a copy of the

delegation **must also** be attached to the first public voucher paid under such delegation and **can** 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 **based** 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. **Retention of Supporting Documents.** Every account for official advertising rendered **must include a copy of** a tear sheet in which the advertisement appeared as a proof of publication. If tear sheets are not available, then an affidavit or **the advertised** publication may be furnished in lieu thereof. The affidavit **must include the signature of** 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, **must** identify the issues in which the advertisement appears. Tear sheets or affidavits submitted as proof of publications **must** be attached to the certified memorandum and public voucher. Volume 1, Chapter 9 **prescribes policy for the retention period of documentation.**

* 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 (***FAR 5.502(b)***) **unless required per Component policy.** The other restrictive provisions **contained** in 44 U.S.C. § 3702 **pertaining** to advertising do not relate to radio advertising. There are no **statutory** restrictions upon the use of appropriated funds for radio advertising in **the** promotion of objectives for which funds are appropriated. **Payment for claims must be submitted on an SF 1034 or other appropriate form accompanied by a copy of the invoice and an affidavit of publication furnished by the advertising agency (*FAR 5.503(d)*).**

*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 ***DoD (DD) Form 1155***, Order for Supplies and Services, which specifies payment terms and conditions **and requires coordination between** the civilian personnel office **and the** contracting support office. **Reservation and obligation of funds is a requirement prior to executing the ordering/contracting action.** Upon completion of **the** services, the civilian personnel office **or a designated official must certify receipt of services.** This certification **will represent** the receiving report required for payment. **Payment will then be made using this certification, the arbitrator's submitted bill, and the terms specified in the completed DD Form 1155.** If the **DD 1155** does not contain a payment due date, then **these payments fall under the terms cited in the Prompt Payment Act (5 CFR 1315).**

*120303. Automobiles

The use of appropriated funds to **buy or lease** passenger motor vehicles must be specifically authorized by **an annual** appropriation act or other law (***31 U.S.C. § 1343***). The purchase cost limitation does not include **articles used with a car but not permanently attached to or not an integral part thereof (e.g., tire chains, fire extinguishers, safety flares, removable seat**

covers, transportation of the vehicle, and taxes). The acquisition of motor vehicles should be from the most cost-effective source, which may be by purchase or commercial lease through the GSA, or by any other method less costly to the Government as validated by a cost-comparison ([DoD Manual 4500.36](#)).

*120304. Blood Purchases

Appropriated funds may be used for the purchase of blood supplies from donors ([24 U.S.C. § 30](#)) or through civilian contracts ([DoDI 6480.04](#)) in accordance with the policies of the respective Military Services for persons entitled to medical treatment at government expense.

*120305. Civilian Uniform Allowances

The Component's designated personnel must prepare and certify payment of civilian uniform allowances on an SF 1034 or electronic equivalent. The DoD Instruction 1400.25, [Volume 591](#) prescribes the amount that is payable for uniform allowances per year and other related uniform allowance policies. The voucher for payment may include more than one employee. The payment must be charged to the same appropriation and subsidiary accounting data normally charged for the salary of the personnel concerned.

*120306. Confinement of Prisoners in Civil Detention

* A. Prisoners may be confined in civilian facilities used by the U.S. Marshals Service when DoD confinement facilities are not available, or do not provide for the separation of male and female prisoners in accordance with [DoDI 1325.07](#). The transferring commanders must determine if a Military Confinement Facility, including military/security police detention cells, is not reasonably available. If a facility used or approved by the U.S. Marshals Service is not reasonably available, a military prisoner may be transferred to a facility accredited by the American Correctional Association (ACA) or facility accredited by the State for confinement.

* B. The Provost Marshal's Office, which transfers female prisoners, must provide the entitlement office with a certified voucher and supporting documents containing an itemized list of expenses of the confinement (10 U.S.C. § 956). After entitlement, the disbursing office will remit payment to the civil confinement facility. Supplies necessary for personal hygiene and maintenance of good health shall be provided to all military prisoners. The Military Services may also provide supplies for a prisoner's comfort and establish monetary or quantity limitations on any supplies and other limitations as deemed appropriate by Service corrections headquarters. Supplies issued to persons in a non-pay status shall be paid from appropriated funds. The cost of health and comfort supplies provided to persons in a pay status shall be charged against their pay accounts or paid from their personal funds.

120307. Copies of Official Records or Documents

Fees required by local laws for certified or photocopies of public records or documents required by a court or board may be paid to the performing officials or legal entities. Current

Operations and Maintenance (O&M) funds may be used to purchase death certificates for deceased retired personnel. The claimant must sign a statement attesting that all resources have been exhausted attempting to find beneficiaries, and none were found.

*120308. Demurrage on Cylinders

* A. Vouchers covering demurrage charges on reusable gas cylinders or drums retained beyond the contract free period must state size, type and quantity. Often demurrage charges are not funded through the contract due to variables such as a free loan period, the daily rental charge and delivery shipping point. In computing the period involved, establish the free loan period which will commence on the first day after date of delivery of each container without regard to any particular cylinder. In such cases, the contractor will submit a claim explaining the method of calculating demurrage.

* B. The contractor's claim must cover the preceding demurrage payment and other identifying data such as the cylinder number, date of delivery of cylinder(s), date rental starts, date cylinder was returned, and the actual number of days and rate per day on which the charges were computed. The Component that caused the delay must attach an SF 1034 or an electronic equivalent to support the contractor's claim by identifying the voucher upon which payment was originally made for the filled containers and citing an appropriate line of accounting. Coordination with the contracting officer or ordering official may be necessary to ensure demurrage costs are not already covered as part of the price(s) negotiated for the cylinders and/or their contents.

*120309. 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 1201.201-202 and 29 CFR 1614).

B. Attorney Fees. In cases involving complaints of discrimination, attorney fees may be awarded pursuant to a no-fault settlement agreement, an informal adjustment, the 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, the EEO manager of the legal office must initiate or authorize the claim for reimbursement. The Component's request for reimbursement of these fees must be as a joint payment to the complainant and complainant's representative supported by an award letter and approval. The claim must cite current operating funds. Policy pertaining to allowable and reasonable attorney fees is in 29 CFR 1614.

* C. Investigation Expenses. Most complaint investigations are conducted by an investigator assigned to the appellate review agency. The EEO manager is responsible for arranging for the investigator's visit and submitting a claim for expenses. The chief EEO counselor will initiate a purchase request for expenditures of miscellaneous purchases. An SF 1034, electronic alternative, or a DD Form 1155 supported by the investigator's expense receipts,

approved by the chief EEO manager, **and an authorized certifying officer** will be used to make payment. The claim must cite operating funds current at the time **of investigative** services.

* D. **EEO Administrative Judge**. The EEOC assigns **an EEO Administrative Judge** to hold hearings on formal complaints of discrimination and otherwise process individual and class complaints for the EEOC. Expenses associated with these complaints where the alleged discrimination took place **must be funded using** operating funds current at the time **of requesting** the services. The EEOC will bill the activity for any authorized and required expenses (**29 CFR 1614**). The chief EEO manager **at the activity or assigned designee must** review and approve the EEOC billing.

E. **Court Reporter**. The chief office of counsel **typically** arranges for the services of a court reporter by submitting a request to the DoD Component contracting office. Costs for court reporter services must be **paid** by the activity where the alleged discrimination took place using funds current at the time services are requested. The chief EEO manager **at the activity, or assigned designee, must** review and approve the **requests** for payment.

F. **Interest**. Interest payments (when permitted by statute) are to be charged to funds current **at the time of** the award. The **IRS** establishes the rate used. This interest rate is not the same as **when** computing interest under PPA.

120310. 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 is a tax levied by the providing agency, and the telephone company merely acts as **a** billing and collection agent.

B. If 9-1-1 fees are imposed by **the** 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 **DoD**. **The DoD does** not have the authority to waive immunity from such fees. If, however, a state or local government 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. If a military installation **receives an** invoice 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,** refer to **the** collection **policy** in Chapter 18 **to recover them**.

D. If it is unclear whether such charges are taxes or service charges, then **the designated entitlement office or** responsible **certifying officer must** contact the base communications officer or higher authority. **This clarification should be included as part of the payment entitlement and certification documentation used in support of the payment request.**

E. Telephone service provided to on-base residents is a private contract between the resident and the local telephone company. If residents receive charges for 9-1-1 services, 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 and is not a DoD reimbursable expense.

*120311. Hospital Accreditation

Hospital accreditation fees associated with the requirements contained in the DoD Manual 6025.13, Enclosure 3 for certain medical facilities to be accredited by the Joint Commission on Healthcare Organization may be reimbursable. Deposits may also be required to be paid for an initial customer and thus may be reimbursable. Accreditation and certification on-site fees are invoiced one to five days following the survey event completion (Joint Commission on Healthcare Organizations) and would be reimbursable for those requiring accreditation. Accreditation annual fees may also be required to be paid and are subject to the programs, services, volumes and sites where service is provided.

*120312. Lost or Damaged Clothing Payments to Military Personnel

Reimbursement is authorized to compensate military personnel for clothing items destroyed, damaged, lost, abandoned, captured, or otherwise rendered unusable, incident to military training or service, if the loss was not caused by any fault or negligence of the Service member (DoD Instruction 1338.18). Personnel must submit an approved Service specific Personal Clothing Claim form or electronic equivalent. The Service member's activity billing office must prepare an SF 1034 or electronic equivalent for payment to the member.

*120313. 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, treatment or both. Upon receipt of an itemized invoice from the civilian health care provider, the claimant must submit a request for reimbursement to their designated Component. The Component must prepare an SF 1034 or electronic equivalent within 30 days from the later of receipt of an invoice or the date of acceptance of the care. The same standards apply to an approved claim 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 U.S.C. § 1071-1085. When an MTF is managing the care of dependent and retired personnel and must refer those personnel to civilian facilities for the care that is beyond the MTF's capability, payment for that supplemental care is authorized. The claimant must submit an itemized invoice from the health care provider to their designated billing Component. The Component must prepare an SF 1034

or electronic equivalent within 30 days from the later of receipt of an invoice or the date of acceptance of the care.

*120314. Security and Firefighting Services

The 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 ([10 U.S.C. § 2465](#)). Refer to 10 U.S.C. § 2465(b) for exceptions for authorized payments.

*120315. Municipal Services

In accordance with the DFARS, Subparts [241.1](#) and [241.2](#), the DoD 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.

120316. Patents, Copyrights, and Designs

Appropriated funds available for acquiring material may be used to acquire the following when it benefits the Department ([10 U.S.C. § 2386](#)):

- A. Copyrights, patents, and applications for patents;
- B. Licenses under copyrights, patents, and applications for patents;
- C. Design, processes, and manufacturing data; and
- D. Releases, before suit is brought for past infringement of patents (10 U.S.C. § 2386).

*120317. 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. These facilities may incur costs related to compliance with these laws for obtaining permits and paying the associated fees for the management of natural resources. An SF 1034 or electronic equivalent must be submitted to pay for these expenses and be supported with documentation identifying the permit application fee and other related fees, and must be approved by the base civil engineer or assigned designee.

*120318. 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, 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. [The DoD installation must](#) provide information requested, in coordination with the civil engineer, fire protection unit, and staff judge advocate. [The DoD installation must](#) provide the 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. [Reimbursements of costs incurred by any DoD activity for fire protection will be credited to the same appropriation or fund from which the expenses for fire protection were paid. If the period of availability for obligation of that appropriation has expired, then credit the fund or appropriation that is currently available for the same purpose \(\[42 U.S.C. § 1856d\\(b\\)\]\(#\)\).](#)

*120319. Representation and Contingencies Fund Use

A. General. The [policy](#) in this paragraph applies 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 U.S.C. § 127](#) 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. The Head of a DoD Component [must authorize the expenditure of Official Representation Funds by commanders for official entertainment or other official purposes in accordance with 10 U.S.C. § 127 and \[DoD Instruction 7250.13\]\(#\)](#).

C. Emergency and Extraordinary Expenses (10 U.S.C. § 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 [policy](#) for the type of payment indicated:

1. Miscellaneous Current Expense. [Claims for these expenses must be submitted using an SF 1034 or electronic equivalent with attached receipts or other supporting documentation depending on security protocols.](#)

2. Intelligence Contingency Funds (ICF). [Expenses incurred using these funds are for confidential military purposes and normally are made based on a \[DD 281\]\(#\), Voucher for Emergency or Extraordinary Expense Expenditures. The original vouchers \(i.e., \[DD Form 281\]\(#\)\), must be returned to the originator. \[Volume 5, Chapter 9\]\(#\) requires designated ICF managers retain the original voucher and supporting documents.](#)

3. Investigation Expenses. Requests for reimbursement of expenses for other than confidential military purposes must be submitted on an SF 1034 or electronic equivalent. The vouchers are prepared using the applicable form. The originating office should retain a copy of the voucher, and ensure the supporting documents are submitted to the entitlement office. Request for classified investigation expenses for confidential military purposes must be submitted on a DD Form 281. Refer to Volume 5, Chapter 9 for the handling of classified vouchers and documentation.

*120320. Special Drinking Water

In situations where water supply systems providing service to DoD organizations do not meet the standards prescribed in 40 CFR 141, Subpart C, special drinking water may be purchased with appropriated funds only when it is necessary from the government's standpoint. The claim for reimbursement requires a statement attesting the drinking water is non-potable along with a public announcement or a copy of the water testing results. Some examples are:

- 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; or
- D. There is no water fit for drinking purposes available without cost or at a lower cost to the government.

*120321. Support of Armed Forces Personnel in Confinement

* A. Purchase of health and comfort items for personnel confined on base is authorized to all military prisoners subject to the provisions of DoDI 1325.07. Reimbursement for the purchase of these items must be claimed using an SF 1034 or electronic equivalent. Supplies issued to persons in a non-pay status shall be paid from appropriated funds. The cost of health and comfort supplies provided to persons in a pay status shall be charged against their pay accounts or paid from their personal funds.

* B. A prisoner confined without essential clothing will be provided suitable clothing, on a temporary loan basis, by the Military Confinement Facility commander. Permanent issue items, except for distinctive prisoner clothing, shall be subject to personal funds withdrawal if the prisoner is in a pay status. All necessary items of clothing for a prisoner confined in a non-pay status will be provided at Government expense.

*120322. Telephone and Television Service

A. Statutory Provisions

* 1. Appropriated funds normally should not be used to pay for telephone service to private residences except in those instances identified in [31 U.S.C. § 1348](#) and [DoDI 1100.21](#). Long distance calls from private residences for official business may be paid from appropriated funds when supported by properly certified vouchers.

2. Charges for official telephone service and charges for metered services for a period beginning in one fiscal year and ending in another fiscal year may be paid from the appropriation current at the end of the period covered by the service ([31 U.S.C. § 1308](#)). This rule also applies to leased wire and teletypewriter services.

3. Telephone services provided for Service clubs, motion picture service, Base Exchange activities, and officers' and non-commissioned officers' messes within the United States are subject to federal communications taxes ([26 U.S.C. § 4251](#) and [§ 4252](#)).

B. Increased Rates. The contract for telephone service 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 billed in advance of pending approval by rate-setting authorities, may be paid but will be subject to adjustment if the increase does not receive approval.

* C. Payment Policy.

1. The office designated to receive the telephone bills from the telephone company must coordinate the preparation and certification of the SF 1034 or an electronic equivalent for payment. Local Component procedures must be in place to confirm the number and active statuses of the phone lines/numbers being billed, and ensure the related costs reflect charges for official or other authorized use.

2. The SF 1034 must be forwarded to the designated payment office together with the telephone company's summary billing statement which includes totals for the monthly plan and long distance charges. The detailed listings and schedules supporting the telephone company's bill should be retained by the responsible office and not be attached to the payment voucher unless required by local procedures. Components must follow established local ethical conduct and related personnel policies and procedures in addressing the reimbursement of costs associated with unauthorized use. Any funds collected must be handled in accordance with the Component's applicable appropriation and fund deposit rules and regulations.

D. Teletypewriter Service. Telephone companies provide teletypewriter services. The charges, based on time used, should be processed in the same manner as the telephone charges identified in this section.

* E. Satellite Communications Service. Government communication systems and equipment are only for official use and authorized purposes. The use of Navy communication systems and equipment for other than official use is at the commanding officers' discretion, as long as the Navy does not incur additional cost or the use does not degrade mission readiness (*Operations Navy Instruction (OPNAVINST) 2060.8A*). Refer to OPNAVINST 2060.8A for authorized uses. The communications officer must collect for unauthorized or unofficial charges on a DD Form 1131 (Volume 8, Chapter 10) from personnel using the ships' communication service in an unauthorized manner. The communications officer must immediately turn over the amounts collected to the disbursing office. When the telephone company bills the ship for the service, payment must be made to the telephone company by the designated payment office using an SF 1034 to substantiate the payment.

F. Reimbursement for Telephone Wiring Maintenance. Charges paid by the tenant for telephone wiring maintenance necessary in base housing may be reimbursable in accordance with 31 U.S.C. § 1348. Charges for internal wiring repair in family housing will be reimbursable from maintenance funds and charges for unaccompanied personnel housing from current base funds.

G. Telephone and Television Reconnection Charges.

1. Payment using 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 (PCS) which may be reimbursable under the PCS orders or other related regulations.

a. Payment is authorized for the following moves 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. Members are not authorized reimbursement 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 a 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 is chargeable 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 must submit 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 must contain the statement, "Payment is being made for the following individual(s) for reconnection services on the following dates." Activity controls and procedures should be designed to ensure a duplicate reimbursement is not paid to the Service member at a subsequent time.

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 a 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 their old location and does not include charges for any new services or equipment; and

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 are the responsibility of the member and must be paid separately.

*120323. Tuition and Training

* A. Authorized Reimbursements. Tuition and training reimbursements to employees are miscellaneous payments. Title 5 U.S.C. § 4109 provides the authority to reimburse employees for necessary training expenses (e.g., tuition and matriculation fees; library and laboratory services; purchase or rental of books, materials, and supplies; and other services or facilities directly related to employee training.) Refer to the DoDI 1322.25 (Voluntary Education Programs) for additional tuition and training guidance.

* B. Military Personnel. Tuition assistance for military personnel must be paid directly to the academic institution in accordance with the applicable contract terms with that institution. Reimbursement to the member for other related reimbursable expenses requires a properly certified SF 182, Authorization, Agreement and Certification of Training, or other Component approved form. Component procedures need to ensure specified annual and per course hour reimbursements do not exceed allowable limits and prevent duplication of payments.

* C. Civilian Employee Training. A miscellaneous payment request is required for direct reimbursements to employees for necessary training expenses such as books and supplies. Employee requests for these reimbursements will be made using the SF 182 or other Component approved form. Refer to DoDI 1400.25, Volume 410 for additional policies and procedures regarding training education, and professional development activities for civilian employees.

1. The training 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). To minimize the need for reimbursing the employee the preference is to pay the training provider.

2. 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 U.S.C. § 4109 and 5 U.S.C. § 5946.

3. The Joint Travel Regulations (JTR), Chapter 4, Part K contains travel and transportation policy involving attendance at training.

D. Advance Payment. Advance payment of tuition and other expenses is authorized (5 U.S.C. § 4109 and 31 U.S.C. § 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 as a miscellaneous payment.

E. Liquidation of Advance. Within five workdays after completion of the training, the trainee will prepare SF 182 itemizing the training expenses, attach receipts when obtainable, and submit the original agency finance copy of SF 182 endorsing the advance payment information. The disbursing office will liquidate the advance payment in the same manner as prescribed for travel advances.

120324. Tuition Refunds

A. When the DoD Education Activity (DoDEA) determines that refunds are payable to sponsors of tuition-paying students attending DoD operated schools (DoDEA Administrative Instruction 7200.1), refunds will normally be a prorated amount of tuition when enrollment is terminated prior to the end of the grading period. A refund of

advance tuition payment is 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 must ensure deposit funds are available and prepare an SF 1034 which must include the name of the student, date of enrollment termination, 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 ([DoDEA Procedural Guide 14-PGRMD-013](#)).

*120325. Payment for Contract Quarters for Foreign Military Sales (FMS) Travelers

Contract quarters are reimbursable to the contractor for personnel traveling on official orders in connection with FMS. [Chapter 10](#) of the DoD 5105.38-M (Security Assistance Management Manual); Volume 15, Chapter 8; and other appropriate DoD Component regulations prescribe the travel policy under which this payment would occur. The claimant must prepare an SF 1164, SF 1034, or other Component approved form, or electronic equivalent and submit it along with a copy of the official orders to obtain reimbursement.

1204 PROFESSIONAL LIABILITY INSURANCE (PLI)

120401. Civilian Employees

Certain civilian employees (law enforcement officer, supervisor, management official, or temporary fire line manager) may be eligible for PLI reimbursement up to one-half of the insurance premium costs incurred annually ([5 U.S.C. Chapter 59, Subchapter IV](#)).

120402. Conditions for Payments of PLI

An employee must submit an insurance policy and proof of payment to their servicing Human Resource Office/Civilian Personnel Office (HRO/CPO). 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, 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 reportable as taxable income and not subject to W-2 reporting.

1205 GOVERNMENT CHARGE CARDS CENTRALLY BILLED ACCOUNTS

*120501. Government Charge Cards Centrally Billed Accounts (CBAs)

This section provides [financial management](#) policy for CBA billings (hereafter referred to as “invoices” for the purposes of this [policy](#)). The GSA’s government-wide [SmartPay2](#) contract and applicable DoD tailored task orders [authorize the use of CBA programs for the Department](#). The Government Travel Charge Card (GTCC) Program has two types of travel cards: the Individual Billed Account (IBA) and the CBA. (The financial management policy associated with IBAs is contained in Chapter 23.) CBA transportation accounts are issued to DoD activities and are restricted to the purchase of air, rail, and bus tickets only for travelers who are not eligible for an IBA. Mission requirements of the unit determine credit limits on CBAs. There are two types of CBAs:

A. A transportation account is a cardless account issued to a government transportation office for use in purchasing transportation, to include airline, bus, and rail tickets.

B. A unit travel card is a card that may be issued to an individual or unit for group travel only when it is cost-effective and in the interest of the mission. Unit cards are appropriate for groups of travelers such as new recruits, prisoners, and foreign nationals participating in an official DoD sponsored program or activity.

120502. Policy

A. [OMB Circular A-123 Appendix B](#), Charge Card Management, provides policy for Federal Government charge card programs.

B. The DoD Government Charge Card [Guidebook](#) for Establishing and Managing Purchase, Travel, and Fuel Card Programs is a consolidated guide that provides policies, unique business rules and procedures for DoD charge card programs.

C. Government centrally billed travel card policies are in Volume 9, Chapter 3. Payment provisions are available in applicable DoD Component regulations and Standard Operating Procedures.

120503. CBA Billing Statements

CBA 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 [centrally billed accounts and related](#) payments. Volume 5, Chapter 5 provides roles and responsibilities of Departmental Accountable Officials (DAOs) for CBA programs. The certifying officer

ensures that only certified payment packages are forwarded for payment.

*120505. Documentation

CBA DAOs must ensure maintenance of documentation, at all levels, to support the integrity of the government CBA programs and facilitate the reconciliation and payment of CBA transactions. DAOs must establish clear audit trails for CBA 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 (Volume 9, Chapter 3). Certifying officers must review the payment packages to ensure that the information agrees with all supporting documentation before certification and submission to the entitlement office for payment. The requirement to retain both original paper and electronic records and supporting documents are the responsibility of the certifying officer (Volume 5, Chapter 15).

*120506. Disputed Transactions

Government CBA owners must dispute or report as fraud questionable transactions with the issuing bank in accordance with the timetable and provisions contained in the contract with the issuing bank and local procedures. DAOs must notify the entitlement office by annotating the invoice or the invoice package to show reductions for disputed charges and must maintain records to track disputed transactions to full resolution.

120507. Designated Entitlement Office

The designated entitlement office personnel rely on the certifying officer to ensure the validity, legality, and accuracy of certified invoice packages. The designated entitlement office must ensure that certified invoice payment packages undergo prevalidation to ensure the availability of funding. They must also ensure that a DD Form 577 (Appointment/Termination Record - Authorized Signature) is on file to verify all manually and electronically certified payment packages.

*120508. Records Retention

DAOs in the Billing Offices submitting CBA Billing Statements must ensure that proper audit trails exist, and documentation is available to support all charges and CBA payments. The retention of documentation, both paper and electronic records, is the responsibility of the certifying officer. Refer to Volume 1, Chapter 9 for statutory retention requirements.

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 themselves. A lease is a contract which conveys the use of land or buildings 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 or operational 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. The calculation to determine payment for part of a month for leased premises must include 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 the 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. Processing payment for these charges occurs without requiring individual invoices from the vendor. At the end of each rental period, the using activity or the designated payment office must prepare an SF 1034 or an electronic equivalent. The claim must identify the lease, confirm the use or availability of the property during the rental period, include all relevant documentation to support the payment and be processed in accordance with the provisions of the lease. Refer to the DoD Guidebook for Miscellaneous Payments for preparation instructions of an SF 1034. Lease or rental payment transactions between inter/intra-governmental entities must be processed using the Intra-governmental Payment and Collection (IPAC) System (*Treasury Financial Manual, Volume 1, Part 6, Chapter 4000*).

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 via the DFAS *1099 Tax Reporting Program* (refer to Chapter 6). 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 of entering into a lease agreement.

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 **sells** 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. **There will be no proration of the payment** for several owners who may have owned the premises for a portion of the rental period. When leased property **changes ownership through a sale**, 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 **is not payable** in advance. **Payment for leases in foreign countries for periods of time is by direction of laws and ministerial regulations of foreign countries or local customs (10 U.S.C. § 2396)**.

120605. Payment for Cost of Improvement of Rented Premises

DoD lease agreements must be clearly written regarding provisions for laying of conduit and wires, **making alterations, performing repairs or making other improvements**. **Thus, unless the lease clearly provides for making such improvements at DoD expense**, the payment of **any cost associated with this type of improvement effort** 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

The terms of the lease **determine the basis of payment**. Leases containing the standard U.S. Army Corps of Engineer's termination clause require payment for the day after the notice of termination **mailing** plus 29 days. Leases **containing** other termination provisions **should be analyzed on an individual basis, in consultation with local legal counsel to determine the appropriate amount of rent due upon termination of the lease**.

*1207 PAYMENTS UNDER INDIVIDUAL SET-ASIDE CONTRACTS (ISAs)

Reimbursements made to medical health service providers serving under ISAs are subject to Federal tax and Federal Insurance Contributions Act (FICA). Payments made under ISAs will be reported **by DoD at the end of the year to the IRS** on a Form W-2, Wage and Tax Statement, in accordance with Social Security Administration/Internal Revenue Service guidelines (**IRS Publication 15 Circular E**). The DoD Tax Reporting Office will perform the W-2 reporting requirements. Refer to Volume 8, Chapter 9 for disbursements to taxing authorities.

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 the speech, presentation, or panel discussion on the 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 \$2,000 must have approval by the next higher organizational echelon. Such approvals will be in accordance with the Component's established procedures.

*1209 INTRA-GOVERNMENTAL TRANSACTIONS

The Treasury Financial Manual, Volume 1, Part 6, Chapter 4000 prescribes policy for agencies to use and process intra-governmental expenditure transactions through the IPAC system. IPAC is an electronic internet-based collections and payment system. Refer to Volume 5 for additional policy regarding IPAC.

120901. Border Clearance Inspectors Overtime Expenses

A. If border clearance inspectors are required to work overtime or on Sundays and holidays at a DoD installation, then the DoD installation must pay the overtime expenses incurred, including travel and subsistence when appropriate. Border clearance officials regularly assigned to DoD installations will not receive payment for travel and subsistence. When additional inspectors are required to supplement the regularly assigned inspection staff, the DoD installation pays for their overtime, travel, and subsistence.

B. If a DoD aircraft lands at a site other than a DoD installation, then the home station of the aircraft must pay the charges. When a DoD aircraft lands at another DoD installation, the installation providing the landing clearance services must bear the border clearance inspection expense. Financial managers must ensure funds are reserved to pay for these claimed expenses. The DoD official designated to make the necessary arrangements must maintain appropriate records, submit requests for overtime, certify receipt and acceptance of services and forward the billings for payment. Invoices received from one agency may be consolidated and processed for payment by using a single IPAC transaction.

*120902. 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. The operator of the vehicle is responsible for notifying the GSA fleet management center, his/her supervisor, and the state, county, or municipal authorities as required by law (41 CFR 101-39.401) when damages occur to a GSA vehicle. GSA will charge DoD

for all costs resulting from damage, including vandalism, theft and parking lot damage to a GSA vehicle on a case-by-case basis after a review of the documentation required by 41 CFR [101-39.406](#). Upon receipt of GSA's assessment of damages, use the IPAC system (the preferred method) or an [SF 1080](#), Voucher for Transfers Between Appropriations and/or Funds, to process the payment to GSA. The DoD Component to which the vehicle was assigned must provide the fund cite for the payment. The SF 1080 must identify the damaged vehicle involved, and include the vehicle registry number, date of damage, and register number of the [SF 91](#), Motor Vehicle Accident Report, and an [SF 94](#), Statement of Witness, when applicable.

C. Provide one copy of the voucher, without supporting papers, with the IPAC payment to GSA. Support the original voucher and other copies of vouchers (when applicable) with a certified true copy of the Report of Survey, and the cost of repairs statement prepared by GSA.

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*](#);
4. [*Joint Travel Regulations \(JTR\), Volume 2, Chapter 5*](#).

and

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 1149C](#), 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 5. 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.

DoD 7000.14 - R



DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 10: “CONTRACT PAYMENT POLICY”

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**

DoD 7000.14 - R



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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 asterisk (*) 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 2012](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1602.A, B, C, D, E, F, G	Added policy references to include electronic payment request as a preference, proper invoicing, electronic and digital signatures, approval of a designated approving official and a properly appointed certifying official, auditability, prevalidation process, and provision for tax identification numbers.	Addition
160301.A, B, C, D	Added clarification regarding the required methods of payment for postal products prescribed by Title 41 Code of Federal Regulation (CFR), Subpart 102-192.50.	Addition
160401 (previous version)	Deleted reference to Advance Deposit Trust Accounts now that the United States Postal Service (USPS) offers services through Centralized Account Processing System (CAPS) for centralized trust and debit accounts.	Deletion
160401	Added policy for the appointment and requirements of Official Mail Managers (OMM).	Addition
160402	Added language for the Private Express Statutes (United States Postal Service (USPS) Publication 542) as part of the OMM's responsibility.	Addition
160403	Added language regarding the Department of Defense (DoD) OMM requirement to provide an annual Mail Management Report to GSA (GSA FMR 102-192.85).	Addition
160501.A, B, C, D	Added policy authorizing the DoD Components to enroll in CAPS for the monthly reconciliation requirements of CAPS accounts.	Addition
160502	Added policy for monthly reconciliation requirements for CAPS accounts (DoD 4525.8-M).	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
160503.D	Added language requiring the OMM to use worksheets to assist in the reconciliation process.	Addition
160503.F	Added language requiring the use of Postal Service Form 3533 when requesting refunds from the centralized trust account or debit account.	Addition
160601	Added policy language for DoD to enter into postage meter agreements with the USPS and meter provider.	Addition
160601 (previous version)	Deleted policy authorizing DoD to procure stamped and official business envelopes from the United States Postal Service.	Deletion
160603	Added policy reference for requesting refunds for spoiled meter tapes (39 CFR 501.15).	Addition
160604	Added language clarifying the authorized methods of payment to replenish commercial meter resetting system.	Addition
160701	Added clarifying language for DoD Components to procure DoD official business envelopes from Defense Logistics Agency (DLA) Document Services (DoD Instruction 5330.3).	Addition
160702	Added clarifying language that all working accounts must be audited at least once monthly.	Addition
160703	Added clarifying language authorizing the establishment of an advance deposit account for business reply mail.	Addition
160704.C	Added language for DoD Components to pay for postage due through the Official Mail Accounting System (OMAS) postage due account (Domestic Mail Manual, Section 604.6.3).	Addition
160803	Added a clarifying reference (Defense Transportation Regulation, Part II, Chapter 212) regarding a request for waiver when the environment does not support electronic processes for commercial small package express.	Addition

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CHAPTER 16

PAYMENT FOR POSTAL SERVICES AND SMALL PACKAGE DELIVERY COSTS

1601 GENERAL

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 to non-government service providers and commercial small package delivery costs.

160102. Authoritative Guidance

A. Statutory

1. Title 41, Code of Federal Regulations (CFR), [Part 102-192](#), Mail Management prescribes policy for mail in Federal agencies.

2. [Title 39 CFR Part 501.15](#) provides policy on Computerized Meter Resetting System (CMRS).

B. Regulatory

1. The [DoD 4525.8-M](#), DoD Official Mail Manual, DoD Instruction [\(DoDI\) 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) contain policy for official mail management.

2. The General Services Administration (GSA) Federal Management Regulation [Bulletins \(Mail Management\) Bulletin G-02](#) provides guidance for Federal agencies on converting to commercial payment systems for postage.

1602 POLICY

* A. [Title 10 United States Code \(U.S.C.\), Section \(§\) 2227](#) requires the use of electronic submissions when requesting payment. The electronic request for payment must contain all elements of a proper invoice as prescribed by Title 5 Code of Federal Regulations (CFR), [Part 1315.9\(b\)](#).

* B. All payment requests must be submitted in accordance with the DoD and Component's submission policies and procedures using a vendor invoice, Standard Form [\(SF\) 1034](#), Public Voucher for Purchases and Services Other Than Personal, or an electronic equivalent.

* C. The DoD Components must use electronic and digital signatures to approve and certify financial documents processed through automated information systems as prescribed by 15 U.S.C. § 7001 and Volume 5, Chapter 1, paragraph 010305.C.

* D. All payment requests must be approved by a designated approving official and a properly appointed certifying officer prior to disbursement to ensure that the information on the vouchers agrees with all supporting documentation. A properly appointed certifying officer also certifies that the vouchers are correct and proper for payment from the appropriation(s) or other funds cited on them or on supporting vouchers, and that the proposed payments are legal, proper, and correct (Volume 5, Chapter 5, section 0502).

* E. To ensure auditability, a copy of all supporting documentation must accompany each payment request to the certifying official to include receipts, invoices, tickets, the Component's internal forms used as payment requests, and agreements and contracts. Refer to Volume 1, Chapter 9 for financial records retention policy. Certifying officers are responsible for retention of all payment documentation (Volume 5, Chapter 5).

* F. A prevalidation process must occur that matches the proposed payment to the obligation of funds recorded in the accounting records prior to the disbursement of the payment request. Refer to Chapter 1, Section 0103 and Volume 3, Chapter 8 for additional policy regarding prevalidation requirements.

* G. All payments require payees subject to the United States (U.S.) Internal Revenue Service (IRS) code to provide a Tax Identification Number (TIN) in accordance with 31 U.S.C. § 3325(d). In accordance with DoD 5 Title 400.11, Components must take action to ensure to safeguard the privacy of all individuals and the confidentiality of all personally identifiable information (PII). Any PII contained in a system of records that personnel access and use to conduct official business will be protected so that the preservation of information remains secure and confidential.

1603 PAYMENTS

*160301. Methods of Payment for Postage

Title 41 CFR, Subpart 102-192.50 establishes the following payment policy and methods:

* A. The U.S. Intragovernmental Payment and Collection Payment (IPAC) process associated with the Official Mail Accounting System (OMAS);

* B. The USPS Centralized Account Processing System (CAPS) associated with commercial payments; or

* C. Another Treasury approved means of paying the USPS.

* D. Payments made to service providers other than USPS must be made by U.S. Treasury payment methods such as automated clearing house electronic funds transfer or another Treasury approved means of paying the vendor.

160302. Payment to Service Providers

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.

1604 INSTALLATION OFFICIAL MAIL MANAGERS (OMM)

*160401. Official Mail Manager Appointment

The DoDI 4525.08 prescribes policy for installations, units, staff elements, and the DoD Components to appoint OMMs. Such appointment must be in writing, and the function is inherently governmental. OMM appointments are reserved for commissioned, warrant, or noncommissioned officers (E-6 or higher) or DoD civilians (GS-6 or higher). This requirement may be granted a waiver when the activity concerned has no personnel in the grades specified. Since the OMM function is an inherently governmental function, it shall not be contracted out.

*160402. OMM Responsibilities

Each installation has an OMM who is responsible for planning and coordinating outgoing postal and delivery purchases. The OMM must work closely with facility personnel to minimize postage requirements and with managers to ensure that the person who makes the decision to send any significant number of pieces of mail is the same person who controls the funds for postage. OMMs are responsible for interpreting and carrying out the Private Express Statutes (*USPS Publication 542*) within their organization; the acquisition, use or disposition of supplies and property; budgeting for and the expenditure of appropriated funds for postage and fees; providing oversight for the monthly reconciliation of trust and debit accounts, and reporting requirements (GSA Federal Management Regulation (FMR), *Subchapter G, 102-192*).

*160403. DoD OMM Reporting

The DoD OMM must provide an annual Mail Management Report to General Services Administration (GSA) when the Agency's collective total payments for mail service expenditures exceed \$1 million per fiscal year (*GSA Federal Management Regulation 102-192.85*).

1605 CENTRALIZED TRUST AND DEBIT ACCOUNTS

*160501. CAPS and Centralized Trust Accounts

DoD Components can establish a centralized trust account with the USPS by enrolling in the Centralized Account Processing System (CAPS) prescribed by DoD 4525.8-M. The CAPS is an electronic postage payment system designed to make payment for all classes of mail easier and more cost effective. The CAPS provides electronic alternatives to making manual transactions and will enable the OMM to charge postal services at multiple locations eliminating the need for trust accounts at numerous post office locations. Electronic reports are available to CAPS users that provide the capability to consolidate reports by types of mailing transactions, by account and defined date ranges. Reports are available in printed form and are import compatible with most electronic reporting systems. Commercial pre-paid postage procurement options are:

* A. Centralized trust account. DoD Components deposit funds electronically via standard Automated Clearing House (ACH) banking mechanisms or Fed Wire to the CAPS bank prior to mailing. The CAPS account is then reduced automatically as local offices process postage statements.

* B. Centralized debit account. DoD Components designate a debit-enabled bank account for postage charges. The bank debits the account for the total day's postage on the next bank business day.

* C. Government Purchase Card. The GSA Smart Pay credit card may be used for all transactions for which the USPS accepts the card. Use the CAPS or CMRS trust account instead of a GSA Smart Pay card when there is a choice.

* D. Advance Deposit Trust Accounts (ADTA). Advance deposit trust accounts at local post offices may be used when one of the preceding methods are not available. The use of advance deposit trust accounts is not authorized at military post offices.

*160502. Availability of CAPS Accounts

The use of CAPS accounts is a local decision. CAPS accounts are not available at overseas military post offices. CAPS accounts are established to include customer meter advance deposits, business reply mail advance deposits, and permit imprint advance deposits. A payment into a centralized trust or debit account is an advance deposit payment to the post office. The OMM must monitor and reconcile the established centralized trust or debit account to ensure receipt of services that were paid for in advance. If the OMM establishes one or more centralized trust or debit accounts, then the OMM maintains a record of all transactions in each account and is responsible for each account balance. The OMM or the Official Mail Center Manager (OMCM) must reconcile the balance in all trust accounts monthly as required by DoD 4525.8-M.

*160503. Centralized Trust and Debit Account Payment Process

A. The OMM must request funds to set up or replenish each centralized trust or debit account by preparing and submitting an SF 1034. The OMM must ensure funds are available and approved by the designated approving official and a properly appointed certifying officer.

B. The OMM charges postal services against a trust or a debit account as required. Each time there is a charge to a centralized trust account or debit account, the USPS issues a receipt. The OMM verifies services received on the postal receipt and reduces the advance based on the amount shown on the receipts. The OMM must identify receipts to each trust or debit account.

C. One SF 1034 can establish or replenish more than one trust or debit account. The SF 1034 must identify the amount being deposited into each particular centralized trust account or debit account. Once the designated finance and accounting office makes a deposit into an account, the OMM has limited authority from the USPS to transfer funds between trust or debit accounts. If a transfer between accounts is necessary, then the OMM must coordinate the transaction with the designated finance and accounting office and the USPS. The designated finance and accounting office must use an Optional Form (OF) 1017-G, Journal Voucher, or equivalent to record the transfer between accounts.

* D. The OMM must reconcile the trust accounts monthly with the USPS transactional documentation. The designated finance and accounting office confirms the balance in each centralized trust account or debit account monthly with the OMM. The OMM must provide documentation to support any unexplained difference and report those findings to the Comptroller of the designated finance and accounting office. Any unresolved discrepancy must receive a joint review by the OMM and the designated finance and accounting office. Service specific, or locally developed, automated or manual worksheets must be used to assist with the reconciliation process and to provide a greater tracking capability of postal expenditures. All Official Mail and Distribution Centers (OMDC) must maintain this information. OMDCs must use worksheets to reconcile trust account purchases and balances with the USPS and the designated finance and accounting office. The OMM must submit a written letter to the USPS to correct account errors.

E. Advance payments for any centralized trust account or debit account are limited to the postal requirements of the current quarter. The designated finance and accounting office and the OMM must review balances versus the postal requirements on a monthly basis. When required, the OMM must adjust the balances by allowing the trust account or debit account to decrease with the subsequent use or by the OMM submitting a request (SF 1034) to designated finance and accounting office to deposit more funds to support the quarterly postal requirements.

* F. There are cases where the USPS refunds cash for unused services in a trust or debit account. The OMM mail manager must provide a written request to the USPS to process the refund to the appropriate DoD Component account via IPAC or EFT. If the USPS cannot send the refund via IPAC or EFT, then the OMM must request a reimbursement by check from the USPS using a Postal Service (PS) Form 3533, Application for Refund of Fees, Products and

Withdrawal of Customer Accounts, Modified with Barcode. The OMM will submit the USPS check to the designated disbursing office with a Defense Department (DD) Form 1131, Cash Collection Voucher, for deposit as a collection.

1606 POSTAL METERS

*160601. Computerized Meter Resetting System (CMRS) Agreements

DoD customers must enter into an agreement with the USPS (e.g., via electronic click-through or contract signature) in conjunction with executing a separate agreement with the provider for rental, lease, or use of a postage evidencing system as prescribed by the Domestic Mail Manual, Part 604.4.2, Postage Payment Methods.

160602. Commercial Meter Settings

In accordance with 39 CFR 501.15, the USPS accepts payment through Automated Clearinghouse (ACH) Transfers, EFT and check for resetting postal meters. For overseas check payments, the mail manager requests an EFT payment by submitting an SF 1034 with appropriate supporting documentation. The designated payment office must make EFT payable to the USPS licensed vendor. The designated disbursing office releases the funds to the USPS Accounting Service Center and upon validation and verification; the USPS forwards the funds to the licensed vendor. Upon receipt of the funds by the USPS Accounting Service Center, the postage meter vendor will reset the metering account over an analog line or internet secure line. For CONUS payments, as stated in paragraph 160403, EFT is the 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.

*160603. Refunds for Spoiled Meter Tapes

The OMM may receive refunds from the USPS for spoiled meter tapes or other types of unused services previously paid. The Postal Service will issue a refund in the amount remaining in a customer's computerized meter resetting system account, after the customer provides a written request to the provider. The refund request must meet the Postal Service approved minimum amount and time frame (39 CFR 501.15). Subparagraph 160503.F contains the guidelines for requesting refunds. The DoD 4525.8-M, Chapter 2, section C2.11 provides additional information about refunds.

*160604. Remote Meters

DoD Components can reset postal meters using a remote method. Title 39 CFR 501.15 provides the legal authority for using the CMRS and contains details about this payment process. The CMRS customer is permitted to make deposits in one of three ways: EFT, ACH transfer, or check. These deposits must be remitted to the Postal Service's designated bank account.

1607 MISCELLANEOUS PAYMENTS

***160701.** Official Business Envelopes

The Defense Logistics Agency (DLA) Document Services serves as the DoD single manager for printing services ([DoDI 5330.03](#)). All DoD Components must procure official business envelopes from DLA Document Services (www.dso.documentservices.dla.mil).

***160702.** Postage Stamps

All DoD activities shall use only prepaid postage (DoD 4525.8-M). In instances where the environment will not support the electronic processes, the OMM that purchase postage stamps for official use from the local post office may use a government purchase card. All working postal accounts advanced by the USPS must be audited at least once monthly as required by DoD standards outlined in Chapter C12 of the [DoD 4525.6-M](#) and the USPS-DoD Agreement ([Publication 38](#)). The USPS Publication 38 is the governing directive serving as the postal agreement between the USPS and DoD outlining their responsibilities. Responsible commanders or their designated representatives, postal officers, and Military Post Office (MPO) supervisors shall conduct these audits as prescribed by DoD 4525.6-M.

***160703.** Business Reply Mail (BRM)

A. Specially printed postcards, envelopes, cartons, and labels may be mailed without postage prepayment. Postage and fees are collected when the mail is delivered back to the original sender. This domestic service enables authorized mailers to receive First-Class Mail, without prepaid postage, from customers by paying the postage and a fee upon return receipt of the mail pieces. The OMM obtains a new commercial BRM permit by submitting [PS Form 3615](#), Mailing Permit Application and Customer Profile, to the local post office. The OMM uses a copy of the completed PS Form 3615 to support the SF 1034. Attach a postal receipt certified by the OMM to the SF 1034. For information on BRM see [Domestic Mail Manual, Section 505](#) and the DoD 4525.8-M, Chapter 1, section C1.11.3.

B. A permit holder may choose to pay an annual account maintenance fee and establish an advance deposit account, which qualifies returned BRM pieces for the high-volume per piece charge. The account maintenance fee must be paid once each 12-month period at each Post Office where a permit holder holds an advance deposit account and only during the last 60 days of the current 12-month period. Refer to the Domestic Mail Manual, Section 505.1.6 for the conditions in which an advance deposit account can be used.

***160704.** 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.

* C. Government agencies using penalty mail must pay postage due through an OMAS postage due account. Government agencies may no longer use penalty meter strips or penalty mail stamps to pay postage due ([Domestic Mail Manual, Section 604.6.3](#)).

160705. Address Correction Costs

In accordance with the DoD 4525.8-M, Chapter 2, Figure C2.F1, address correction costs is an ancillary service and [must](#) be paid by EFT. Supporting documentation must accompany each payment request for processing.

160706. Express Mail

Payment for express mail is made with stamps, metered postage, or through an express mail corporate account. This account is similar to a [trust account officially authorized by the OMM](#). Payments into an express mail account are advances to the USPS, and these deposits are controlled similarly to [trust account](#) payments; see section 1606. The OMM submits [PS Form 5639](#), Express Mail Corporate Account Application and Payment Authorization Form, to establish the account. The USPS provides the OMM with a statement each month. The OMM [must](#) reconcile this account with the USPS at least once a month. The [designated finance and accounting](#) office confirms the balance in the account with the OMM monthly.

1608 SMALL PACKAGE DELIVERY COSTS

160801. Commercial Service

DoD Components may elect to use commercial bills of lading or commercial procedures and payment practices to the maximum extent possible ([41 CFR 102-118.115](#)), rather than Government Bills of Lading, to procure express transportation services for small package shipments [weighing up to](#) 150 pounds.

160802. Terms and Conditions

[Commercial](#) 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.

*160803. Method of Payment

The approved method for billing and payment of commercial small package express shipments [is the authorized](#) electronic [processes](#) 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) [in accordance with Defense Transportation Regulation, Part II, Chapter 212](#). 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 [May 2012](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter was incorporated into Volume 10, Chapter 8 “Commercial Payment Vouchers and Supporting Documentation”.	Deletion

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.

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Hyperlinks are denoted by [bold, italic, blue and underlined font](#).

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](mailto: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 June 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1901	Added policy references to Title 32 Code of Federal Regulations, Part 22 due to cancellation of Department of Defense Directive 3210.06-R.	Addition
190103	Added policy references for System for Award Management (SAM).	Addition

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CHAPTER 19

PAYMENT PROVISIONS FOR GRANTS AND OTHER INSTRUMENTS OF ASSISTANCE***1901 GENERAL**

This chapter provides the necessary policy 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. [Title 32 Code of Federal Regulations \(CFR\), Part 22](#) 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. [The DoD Directive 3210.06](#), Defense Grant and Agreement Regulatory System, (DGARS) establishes policy and assigns responsibilities for the DoD Grant and Agreement Regulations (DoDGARS.)

190101 Administering Office

The office that issues the grant or other types 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 that 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 will attach and retain all award documentation supporting 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 [32 CFR, Part 22.810](#) is applicable to payment actions in this chapter. Payment by Electronic Funds Transfers (EFT) is a requirement of [31 CFR 208](#). [Title 48 CFR, Part 204.11](#), requires the recipient to maintain current information about itself in the [System for Award Management](#) (SAM). SAM is the primary Government repository for prospective Federal awardee and Federal awardee information and is the centralized Government system for contracting, grants, and other assistance-related processes.

1902 POLICY

190201 Regulatory Policy

The DoDGARS provides the regulatory framework for the overall management of functions related to grants and cooperative agreements. The DoDGARS is codified at 32 CFR, Subchapter C, [Parts 21-37](#).

190202 Accounting Policy

Volume 12, Chapter 5 contains the accounting guidance [prescribed for](#) DoD Components for grants and cooperative agreements.

190203 Disbursing Policy

Volume 5 [includes](#) additional disbursing guidance.

190204 Cash Management Policy

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 [comply with](#) 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 the agency's internal control framework which include the Single Audit Act ([31 USC 7501-7507](#)). 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 [grant recipients' expenditures](#) [comply 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 3210.06 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 Programs, as the standard form. The 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

[Refer to](#) 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 recipients sub-award and executive compensation requirements are prescribed by [2 CFR Part 170.200\(b\)](#). Grant offices should include submission instructions to the recipients when awarding terms and conditions.

1906 DEBT COLLECTION FOR GRANTS AND COOPERATIVE AGREEMENTS

190601 Collection Procedures

Any funds paid to the 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 may 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 [appropriate](#) payment office.

B. When the grants office has exhausted all its available avenues to collect a debt, but it remains unresolved, the grants office will forward all related demand information to the appropriate [DCO](#) prescribed by [32 CFR, Part 22.820](#). The [DCO](#) will follow collection procedures in Chapter 18 unless the DoDGARS, 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). The TIN is [necessary](#) 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 [DCO](#) will pursue collection of the debt.

190602 Offset Policy

In accordance with the provisions of [OMB Circular A-129](#), Policies for Federal Credit Programs and Non-Tax Receivables, administrative offsets may be used to collect delinquent debts owed by the recipient. If an administrative offset is taken, then the [DCO](#) 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 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 a 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 examples are 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. Generally, grants and cooperative agreements paid in advance 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 that 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. Refer to Volume 5, Chapter 28 for additional information.

190604 Uncollectable Debts

Volume 4, Chapter 3 and Volume 5, Chapter 28 prescribe policy for writing off debts that are determined uncollectible.

VOLUME 10, CHAPTER 20: “CONTRACT RECONCILIATION”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an asterisk (*) 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 2013** is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current guidance.	Updated

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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. [Authoritative Guidance](#)

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 9.

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 5118.05](#). The Director, DFAS has the following responsibilities:

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 RCRA, reconcilers, and assistants). The RCRA's 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 RCRA's and maintain the Standard Contract Reconciliation Tool (SCRT), which is a single DoD-wide database that contains a listing of RCRA's, core group members, and contracts being reconciled. SCRT users will receive technical and maintenance support from the Helpdesk at dfas.dsc.cco-cash@mail.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 [as prescribed in](#) paragraph 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.
- 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, and 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 dfas.dsc.caj.mbx.recon-maillog@mail.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. 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, and the probability of uncovering a 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.
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, 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 RCRA's 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 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 it to the 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 15.

**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 **asterisk (*)** 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 2013** is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
210103	Added authoritative guidance to support the Junior Reserve Officers' Training Corps (JROTC).	Addition
210202.D	Added authoritative guidance to support the Cost of Living Allowance (COLA) location.	Addition
210206 (prior version)	Removed definition of High Schools.	Deletion
210210 (prior version)	Removed definition of Minimum Instructor Entitlement Calculation, the chapter concerns reimbursement to the schools only.	Deletion
210303	Added prescribed Standard Form (SF) 3881.	Addition
210402 (prior version)	Removed Reimbursement Limitations, the chapter concerns reimbursement to the schools only.	Deletion
210503.A	Added policy clarifying supporting documentation.	Addition
210503.B	Added policy clarifying the calculation of the reimbursement to the school.	Addition
210503.C	Added policy clarifying the monthly reimbursement statements.	Addition
210503.E	Added policy clarifying the use of the SF 3881.	Addition
210702 (prior version)	Removed “ Outside of the JROTC Program” as this concerns policies and processes outside the scope of this chapter.	Deletion
210703	Removed reference to a” Minimum Instructor Entitlement Calculation” as this concerns reimbursement to the schools only.	Revision
210704	Removed reference to a Minimum Instructor Entitlement Calculation, the chapter concerns reimbursement to the schools only.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
210801	Added policy clarifying the timeframe for submission of the Department of Defense (DD) Form 2767.	Addition
210802	Added policy to clarify the JROTC Instructor Reimbursement Office (JIRO)'s responsibility.	Revision
2109 (prior version)	Removed JROTC Instructor Pay Computation, the chapter concerns reimbursement to the schools only.	Deletion
210902	Added policy clarifying certifying officers.	Addition
211001	Added policy to clarify the JIRO's responsibility concerning debt collection.	Revision
211002.B	Revised the number of days required for delinquent debt referral to the Treasury from 180 days to 120 days in accordance with 31 United States Code 3716.	Revision

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CHAPTER 21

**JUNIOR RESERVE OFFICER TRAINING CORPS (JROTC)
INSTRUCTOR PAY**

2101 GENERAL

210101. Overview

This chapter prescribes the financial management policies applicable to the reimbursement of the Department of Defense (DoD) portion of JROTC Instructor Pay worldwide to public and private secondary educational institutions and Department of Defense Dependent Schools (DoDDS).

210102. Purpose

This chapter applies to all Military Services. The term “Military Services” refers to the Army, Navy, Air Force and Marine Corps.

*210103. Authoritative Guidance

DoD Instruction 1205.13, “Junior Reserve Officers’ Training Corps (JROTC) Program” dated February 6, 2006 and 10 United States Code (U.S.C.) 2031, “Junior Reserve Officers’ Training Corps” dated January 7, 2011, provide policy and guidance regarding the JROTC program.

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 Travel Regulations (JTR) geographic COLA location applicable to the employing school located overseas, as specified in JTR, Appendix J.

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 U.S. military personnel and federally employed civilian personnel. Arrangements result in partial or total federal funding for 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 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 referred to as retired pay.

210206. Instructor Management Division (IMD)

The IMD is the office within a Military Service responsible for certifying instructors.

210207. 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.

210208. JROTC Unit

A JROTC unit is an organized group of JROTC students and faculty members at one secondary school.

210209. 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. Department of Defense (DD) Form 2767

[DD Form 2767](#), JROTC Instructor Annual Certification of Pay and Data Form, [paragraphs 210702](#), [210801](#), and [210802](#) discuss the use of this form.

210302. DD Form 2754

[DD Form 2754](#), JROTC Instructor Pay Certification Worksheet for Entitlement Computation, [paragraphs 210503](#), [210703](#), [210704](#), and [210802](#) discuss the use of this form.

*210303. Standard Form (SF) 3881

[\(SF\) 3881](#), Automated Clearing House (ACH) Vendor/Miscellaneous Payment Enrollment Form, [paragraph 210503](#) discusses the use of this form.

2104 REIMBURSEMENT RESPONSIBILITIES

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.

2105 REIMBURSEMENT REQUIREMENTS AND PROCESS

210501. Requirements for Authorizing Reimbursement

The JIRO authorizes reimbursement [to the schools](#) only for those instructors:

- A. Who are certified as qualified instructors by the cognizant Military Service;
- B. For whom [funding](#) 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 [reimbursement to the school](#) 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 [paragraph 2104](#) are met, as prescribed in [10 U.S.C. § 2031\(e\)\(2\)](#). The JIRO must ensure that documentation supporting these reimbursements is retained in accordance with Volume 1, Chapter 9 and is readily available to support future audit efforts. The documentation should be of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the reimbursement.

* B. The pay system is used to process and compute the amount of the [reimbursement to the school](#). This amount is calculated based on the information and documentation required on the DD Form 2754, adjusted to reflect the agreed-upon reimbursement rate/amount between the Military Service and the school.

* C. Monthly statements of the [reimbursements](#) are mailed by the JIRO to the school and the school districts. These statements will show the total amount paid to each instructor working at the school.

D. An electronic funds transfer (EFT) for the [reimbursement to the school](#) is sent to the financial institution designated by the [public and private educational institutions](#). DoDDS schools are reimbursed based on the JIRO approval of amounts cited on the DD Form 2754 by funds transfer via the Intragovernmental Payment and Collection (IPAC) system.

* E. Schools must provide the financial banking information via the SF 3881 or by using the [System for Award Management \(SAM\)](#) when the school is new to the JROTC program or when there is a change to its previously provided banking information.

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 and provide documented support that schools [requesting](#) payment are active participants in the JROTC program.

210602. Addresses

Authorized officials occupying the positions stated in the contract between a school and the Military Service are responsible for supplying the current address of the school employing each instructor.

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 210209. Each JROTC instructor negotiates his or her own contract with the school. The Military Service JIRO will [authorize reimbursement](#) to 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. [The amount of the reimbursement to the school generally is equal to 50 percent of an instructor's MIP as identified in paragraph 210503.A.](#)

210702. JIRO [Employment Verification](#) Process

Each school [must](#) forward to the JIRO a copy of the DD [Form 2767](#) within 30 days of the instructor's employment. Reimbursements for that instructor will be held in abeyance until [this](#) form is received by the JIRO.

A. Each school [must](#) submit a DD [Form 2767](#) annually for those JROTC instructors continuing employment at the school in the upcoming academic year.

B. [The form](#) 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.

[*210703.](#) Entitlement Computation

For each new instructor, reimbursement to the school will be computed using the DD [Form 2754](#), [and as stated in paragraph 210503.](#)

[*210704.](#) Entitlement Recertification

Instructors [must](#) recertify dependent status and permanent duty station (school) zip code for entitlement to BAH and OHA (as applicable). A DD [Form 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.

2108 SEPARATIONS, TRANSFERS, DECERTIFICATIONS AND DISESTABLISHMENTS

*210801. Separations

Each employing school must forward a DD Form 2767, or termination letter, containing the applicable date to the JIRO **immediately upon** 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 **by the JIRO** 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 **must forward to the JIRO** a DD Form 2767. The instructor must **immediately** forward an updated DD Form 2754, as stipulated in **paragraph 210704, to the JIRO**.

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 **by the JIRO** 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. **Therefore, instructor pay** reimbursements **to the school are terminated and** the JIRO must authorize final reimbursement to, or initiate collection action from, the school.

2109 FINANCIAL MANAGEMENT

210901. Military Service Responsibilities

Each Military Service will be the holder and manager of its JROTC funds. The JIRO concerned **must authorize and assign the** funds to the proper line of accounting, verify each JROTC instructor's pay computation **and associated reimbursement amount for each school** for accuracy prior to disbursement by the designated paying office. **The JIRO also** monitors the budget execution throughout the assignment of the JROTC instructor.

*210902. Military Pay Operations Responsibilities

Based on the authorization received from the JIRO and verification of fund availability, military pay operations certifying officers will perform payment certification and submit to the designated paying office for all school disbursements. Certifying officers must be appointed in accordance with Volume 5, Chapter 5. Reimbursement to DoDDS must be made via a separate IPAC transfer that cites the applicable appropriation provided for DoDDS.

210903. Designated Paying Office Responsibilities

Reimbursement to the school must be made only after the JIRO concerned has verified the payroll data, authorized fund availability, received concurrence from the appropriate accounting office and after military pay operations has provided certification. The DFAS designated paying office will disburse funds for school reimbursements based upon an 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, with the exception of reimbursements to the DoDDS schools which are transferred via the IPAC system.

2110 IDENTIFICATION AND COLLECTION OF JROTC RELATED DEBTS

*211001. Debt Identification

The JIRO is responsible for 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.

*211002. Debt Collection Process

Collection of a debt is accomplished by a fully documented 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 Chapter 18.

- A. In those instances in which a school does not have a future reimbursement to adjust/offset, the JIRO must initiate collection action from the school directly via the use of a

demand letter. See Chapter 18 for [the policy requirements and guidance](#). Amounts collected must be forwarded to the JIRO [as the debt collection office](#).

* B. After the JIRO has completed all related actions specified in Chapter 18, uncollected debts 120 days delinquent **must** be referred to the Treasury, Bureau of the Fiscal Service for further collection action, [as prescribed in 31 U.S.C. § 3716\(c\)\(6\)\(A\)](#).

VOLUME 10, CHAPTER 22: “PAYMENT RECAPTURE AUDITS”**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 2012](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2201	Restructured the “General” section to comply with the new Financial Management Regulation standard operating procedures.	Revision
220101	Clarified that intra-governmental transactions are excluded from Payment Recapture Audit (PRA) requirements per Office of Management and Budget (OMB) Circular A-123, Appendix C.	Revision
220103	Added reference to the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 (Public Law 112-248) as a basis for the policy in this chapter.	Revision
220202	Added a definition for Improper Payments and reference to Volume 4, Chapter 14.	Addition
220302	Updated the Office of the Under Secretary of Defense, Comptroller (OUSD(C)) address for PRA correspondence.	Revision
220303	Removed reference to the 85% recapture target from the previous version (October 2012) as this is no longer contained in the updated OMB Circular A-123, Appendix C.	Revision
2206	Revised the title of the responsible organization for PRA reporting to the OUSD(C) Accounting and Finance Policy Directorate based on the Deputy Chief Financial Officer policy memorandum dated August 15, 2013.	Revision
221101	Clarified that recaptured amounts that can be utilized to pay expenses of the program and to pay recapture audit contractors are limited to collections involving expired discretionary fund accounts.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
221102	Revised the language regarding the disposition of recaptured funds from “will be used in the following manner” to “may be used in the following manner”; to reflect the policy in OMB Circular A-123, Appendix C.	Revision
221102.D	Revised the word “canceled” to “expired” to reflect the policy in the OMB Circular A-123, Appendix C, and addressed overpayment amounts from trust fund and special fund accounts.	Revision
221103	Clarified that recaptured amounts pertaining to unexpired accounts cannot be used for reimbursement of PRA program expenses and must be returned to the original appropriation.	Revision
2212	Consolidated and condensed sections within 221201 of the previous version (October 2012), and clarified policy language to match that contained in OMB Circular A-123, Appendix C.	Revision

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CHAPTER 22

PAYMENT RECAPTURE AUDITS

*2201 GENERAL

*220101. Overview

All programs or activities, as defined by Office of Management and Budget (OMB) Circular A-123, Appendix C, with annual payments that exceed \$1 million must utilize cost-effective payment recapture audits (PRA) to recover improper payments. PRA requirements apply to all types of payments, except for intra-governmental transactions.

220102. Purpose

This chapter establishes the Department of Defense (DoD) policy for implementation of PRAs in accordance with the laws and regulations cited herein.

*220103. Authoritative Guidance

This chapter establishes policies and requirements based on the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 (31 U.S.C. 3321, note) and the Improper Payments Elimination and Recovery Act (IPERA) of 2010 (31 U.S.C. 3301, note). This chapter also incorporates associated implementing guidance found in OMB Circular A-123, Appendix C.

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 PRA contractor) associated with implementing and overseeing the program.

*220202. Improper Payment

An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients. An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law). See Volume 4, Chapter 14 for additional details on improper payments and reporting requirements.

220203. Payment Recapture Audit

A payment recapture audit (PRA) 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 detection and correction control activity designed to identify and recapture overpayments. As such, it is a management function and responsibility.

220204. Payment Recapture Audit Contingency Contract

This type of contract is for PRA 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.

220205. Payment Recapture Audit Program

This is a Component's overall plan for risk analysis and the performance of PRAs and recovery activities. These activities should include a management improvement program, if appropriate. A copy of this program shall be provided to the Component's Inspector General (IG) annually.

220206. 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 post-award audit, as distinguished from a PRA, 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.

2203 DoD PAYMENT RECAPTURE AUDIT PROGRAM**220301. Applicability**

A. As prescribed by OMB Circular A-123, Appendix C, the Component head will determine the manner and/or combination of payment recapture activities to use within the agencies payment recapture audit program that are expected to yield the most cost-effective results.

B. 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) (OUSDC), Office of the Deputy Chief Financial Officer (ODCFO), Accounting & Finance Policy (A&FP) Directorate, for approval.

C. When determining the cost-effectiveness of the use of PRA 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.

D. PRAs will be implemented in a manner designed to ensure the greatest financial benefit to the Component.

E. Components will report the results of their payment recapture auditing program to OUSD(C)/ODCFO/A&FP (see subparagraph 220102.A.) and in accordance with OMB [Circular A-136, Financial Reporting Requirements](#). See section 2204 for requirements.

*220302. Annual Plan Submission

All Components that expend \$1 million or more annually for each program and activity, must annually submit a PRA plan, not later than August 31 each year, for use during the upcoming fiscal year to:

OUSD(C)/ODCFO/A&FP
1100 Defense Pentagon – Suite 3D150
Washington, DC 20301-1100

At a minimum, this plan must include:

- A. Cost-effectiveness analysis;
- B. The estimated total dollar amount of payments by program or activity for the current fiscal year;
- C. Any additional collection/recovery audits and/or risk mitigation activities the Component plans to use in addition to its current DoD PRA Program;
- D. The dollar amount of payments the Component plans to review using these additional activities or audits;
- E. What entity will perform the PRA (internal, external, or contractor resources);
- F. The proposed methodology; and
- G. The period of review.

In addition, if the Component head should determine that performing PRA activities are not cost-effective for certain categories of disbursements, as further described in paragraph [220502](#), the quantitative justification must be included in this plan.

*220303. Establish Targets for Payment Recapture Audit Programs

For each PRA program established, annual **recapture** targets must be set. **Agencies are required to establish annual targets for their PRA programs that will drive their annual performance.** 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) and are expected to be set to show an increase in recoveries over time. Each Component will provide their annual recapture targets for review and approval by OUSD(C)/ODCFO/A&FP (see section 220302). The OUSD(C)/ODCFO/A&FP in turn will submit targets to OMB for review as part of the annual approval process of draft Annual Financial Reports (AFR) and Performance and Accountability Reports.

2204 REQUIRED REPORTING

220401. Annual Reporting

Components must report annually on their **PRA** 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/A&FP, and also report in their 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 **PRA** 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.

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, **including** a description and justification of the classes of payments excluded from the **PRA** 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 **recaptured** 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 PRA 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 amount 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, as required by paragraph 220902;

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 PRA and recovery activities must be reported in accordance with Volume 5, Chapter 6, section 0605.

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 PRAs. 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 PRAs as explained in paragraph 220201.

220502. Possible Exclusions

Components may exclude [certain payment classes](#) from their PRA 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 payments or contracts](#) from payment recapture activities or audits, then the justification for this exclusion must be included in their annual plan and annual report (see sections 2203 and 2204). [The following](#) 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. [Agencies shall conduct a PRA program in a manner that will ensure the greatest financial benefit for the government.](#)

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 [PRAs](#) of Component records do not constitute audits of contractor records. However, [PRA](#) 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 COMPTROLLER'S OFFICE OF PRIMARY RESPONSIBILITY

220601. Role

To facilitate compliance with OMB Circular A-123, Appendix C, the DoD Deputy Chief Financial Officer (DCFO) assigned reporting responsibility for this function to the OUSD(C) Accounting and Finance Policy (A&FP) Directorate. This reporting function is part of the OUSD(C) oversight responsibility for DoD's annual PRA reporting in the Agency Financial Report (AFR).

220602. Responsibilities

The Comptroller's A&FP Directorate is responsible for:

A. Reviewing the Components' annual payment recapture auditing plan submissions as described in section 220302 to ensure completeness.

B. Reviewing the annual submission of PRA reports described in section 2204 to ensure the reporting requirements are met.

C. Preparation and submission of Department-wide PRA 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 INSPECTOR GENERAL (IG)

220701. No Impairment of Inspectors General Authority

Nothing in this policy 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 PRA program required by this policy is an integral part of Component's internal control over payments, and therefore a management function, independence considerations would normally preclude the IG, and other Component external auditors from carrying out management's PRA program.

220702. Effectiveness Assessment

The IG, as well as other authorized auditors, are encouraged to assess the effectiveness of Components' PRA programs as part of their internal control assessment on existing audits (e.g., the annual financial statement audit, or as a separate audit).

2208 SOURCES TO PERFORM PAYMENT RECAPTURE AUDITS

PRAs 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 **PRA** 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 **coordinate** with the DFAS ESS Accounting Mission Area, Accounts Receivable Office (JJA) at 8899 E. 56th. Street, Indianapolis, IN 46249 **to determine whether** direct communication with the Component's contractors **is authorized**.

220902. Required Root Cause Analysis

In addition to identifying and documenting specific overpayments resulting from payment errors, **any entity performing PRAs** 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 DoD IG, and where applicable, the IG of the Military Service.

220903. Contingency Fee Requirement

Contracts entered into by Components to obtain **PRA** 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 **PRA** auditors to establish a presence on, or visit, the property, premises, or offices of any subject of **PRAs**. Such physical presence is not prohibited, and may in fact allow the **PRA** 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 PRAs (and any other provisions required by law, regulation, or Component policy), any contract with a private-sector firm for PRA services will include contract provisions that prohibit the PRA 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 PRA 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 PRA responsibilities.

220905. Safeguarding Confidentiality

Components will require the PRA 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 PRA 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 PRA 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 PRA 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 **immediately** to the DoD disbursing Component **for which it is performing the contract**. **The Component will further review and refer to its IG, if appropriate**. Contractors **and all personnel performing PRAs** 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

IPERA provides that amounts collected under a **PRA** program **from expired discretionary fund accounts** are available to reimburse the actual expenses incurred by a Component in administering the program, and to pay contractors in accordance with applicable **law and regulation, if appropriate**.

*221102. Uses of Amounts Collected

Except as provided in paragraph 221103, section 2(h)(3) of the IPIA, as amended by the IPERA, requires that any expired discretionary amounts collected (recaptured) through **PRAs**, that were appropriated after **the date of IPERA's enactment (July 22, 2010)**, and that are not used to reimburse expenses of the Component or pay **PRA** contractors under paragraph 221101, **may** 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, **expired** 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, and 221102.C, or used under otherwise available authorities, **including recaptured overpayment amounts from trust fund and special fund accounts, shall be credited to the expired account from which the overpayment was made.**

*221103. Return of Collections to Original Appropriation

As prescribed by OMB Circular A-123, Appendix C, and section 2(h)(3) of IPERA, **recaptured overpayments from unexpired discretionary fund accounts (still available for obligation) that were appropriated after enactment of IPERA (July 22, 2010) shall be credited to the account from which the overpayments were made without using it for any purposes outlined paragraphs 211101 or 211102.** 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 and Trust Fund Accounts

Any overpayments from mandatory fund accounts and trust fund accounts shall **be credited** 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 **PRA** 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 **PRA** 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 **PRA** 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 **PRA** 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 PRA 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 PRAs 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. Reference Chapter 13 for additional details.

***2212 DISPOSITION OF RECAPTURED AMOUNTS BEFORE IPERA**

Components may review payments made 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. 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 PRA contractor. For those funds appropriated prior to IPERA’s enactment which have expired, and after reimbursement of Component expenses and payment to the PRA contractor, any remainder of the recovered funds must be returned to the expired account(s). If the appropriation is canceled, the funds shall be credited to Treasury Miscellaneous Receipts.

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 PRA 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 asterisk (*) 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 2014** is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
230102	Added an authoritative guidance paragraph.	Addition
230215.B	Revised document retention period from 6-years 3-months to 6-years (changed by General Records Schedule, Transmittal 23 posted September 17, 2014).	Revision
230505	Revised language to reflect the change for the micro-purchase threshold from \$3,000 to \$3,500 defined by the Federal Acquisition Regulation, Section 2.101 (changed by final rule published in Federal Register, Volume 80, Number 127 dated July 2, 2015).	Revision

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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. Authoritative Guidance**

The policies prescribed throughout this chapter pertaining to the purchase card program are based on laws and regulations cited herein.

2302 PURCHASE CARD POLICY

230201. 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.

230202. 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.

230203. 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.

230204. 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.

230205. 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 at an excessive cost or for 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.

230206. 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 230205 for a description of unauthorized transactions.

230207. 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 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.

230208. 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.

230209. 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.

230210. 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 5 ([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.

230211. 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 5, 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.

230212. 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.

230213. 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 2303. Policy, standards and controls used when electronically receiving and processing electronic transactions are contained in Chapter 17.

230214. 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 5.

*230215. 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 in accordance with National Archives and Records Administration (NARA), General Records Schedule (GRS) [Transmittal 23](#) (posted September 17, 2014). 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 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 230204. 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.

[230216.](#) 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), [Subpart 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, Section 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.

[230217.](#) 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 230205 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 5. 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 (RO)

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 5. 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 5. 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 includes, 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 230210, 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 5, 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 5, 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 5.

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 230205, 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 230212.

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 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) 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 **must be at or below the micro-purchase threshold defined by the [FAR, Section 2.101](#)**. 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.	