**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 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 2023 is archived.

| PARAGRAPH | EXPLANATION OF CHANGE/REVISION | PURPOSE |
|---|---|---|
| All | Updated hyperlinks and formatting to comply with current administrative instructions. | Revision |

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# CHAPTER 10

# PAYMENT VOUCHERS – SPECIAL APPLICATIONS

## 1.0 GENERAL

### 1.1 Overview

The DoD uses payment vouchers to document the payment of billings for services and supplies. Payment voucher processing described in this chapter relates to vouchers with unique entitlement or execution features. This chapter includes policy for executing intra-governmental payments and entitling partial payments, contract financing, advance payments, fast payments, and payments against cost-reimbursement contracts. Disbursement processing requirements are described in Volume 5, Chapter 9.

### 1.2 Purpose

This chapter prescribes the DoD policy for handling payment vouchers with special requirements in accordance with the laws and regulations cited herein.

### 1.3 Authoritative Guidance

This chapter establishes policies based on the statutory and regulatory requirements spelled out in specific sections of ***Title 41, Code of Federal Regulations (CFR)***, the ***Treasury Financial Manual (TFM)***, ***Title 31, United States Code (U.S.C.)***, ***Title 10, U.S.C.***, Federal Acquisition Regulation ***(FAR) Part 32***, and the Defense Federal Acquisition Regulation Supplement ***(DFARS)*** referenced throughout the chapter. 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, and the ***General Services Administration's (GSA) Form 789***, Statement, Voucher and Schedule of Withdrawals and Credits.

## 2.0 INTRA-GOVERNMENTAL PAYMENTS

### 2.1 Overview

Intra-governmental payments result from transactions between federal entities for sales, services, or transfers between such entities. See Volume 4, Chapter 3, section 5.0 and Chapter 9, paragraph 2.6 for intra-governmental accounting policy. For DoD, these transactions can be:

2.1.1. Between DoD and Non-DoD entities,

2.1.2. Between DoD Components, or

2.1.3. Within a DoD Component.

2.2 Billing Processes

2.2.1. Interfund Billings. Intra-governmental transactions (IGT) between or within DoD Components for the purchase of goods will be processed through the interfund billing system when initiated and supported by the supply and accounting systems of both trading partners (also see Volume 4, Chapter 3, section 5.0 for additional policy on intra-governmental receivables). As prescribed by the Defense Logistics Management Standards (DLMS), Defense Logistics Manual ***(DLM) 4000.25, Volume 4***, Chapter 5, (C5.1.2), Interfund Billing System Procedures, the GSA, Federal Aviation Administration, and the National Oceanic and Atmospheric Administration are authorized federal agencies that may also bill DoD through the interfund billing system for goods purchased. The interfund billing system allows suppliers to reimburse themselves at the time of the billing from appropriations designated by the customer. The supplier forwards an automated billing to the billed office and reports to the U.S. Department of the Treasury (Treasury) a reimbursement of the supplier's funds with an offsetting charge to the customer's funds. Interfund bills, therefore, serve as both a billing and a notice to the customer that its funds have been charged and the bill has been paid. Only the billing office or the Central Accounts Office is authorized to adjust, or otherwise reverse, reimbursements reported to the Treasury on behalf of the billing office. See the DLM 4000.25, Volume 4 for detailed interfund billing system procedures.

2.2.2. Non-Interfund Billings. IGT between DoD Components that are not initiated and supported by the supply and accounting systems of both trading partners and are unable to be processed through the interfund billing system are classified as non-interfund transactions. This includes IGT between a DoD Component and a non-DoD entity, which are not authorized for interfund billing in accordance with the DLM 4000.25, Volume 4, Chapter 5. The ***TFM, Volume 1, Part 2, Chapter 4700 (I TFM 2-4700), Appendix 8***, section 2.6, provides policy and guidance on the use of the Intra-governmental Payment and Collection (IPAC) system by federal entities, including the DoD, to electronically bill and pay for non-interfund IGT. I TFM 2-4700, Appendix 8, section one provides guidance and information related to the development, use of, and required implementation dates of G-Invoicing as the platform for creating and managing IGT. G-Invoicing is not an accounting system nor a procurement system; instead, it serves as a gateway for federal entities to agree upon the funding terms and the accounting treatment of their reimbursable activity, and exchange that data with one another for consistent financial reporting. IPAC will continue to operate as the application for the settlement of funds between federal entities, even in a G-Invoicing environment. The IPAC system communicates to the Treasury and the trading partner agency that the online billing and payment for services and supplies has occurred. Refer to I TFM 2-4700, Appendix 8 for additional information on G-Invoicing and IPAC. See Volume 5, Chapter 11, section 4.0 for disbursing policy and monthly cutoff dates related to IPAC. See Volume 4, Chapter 3, for accounting policy related to non-interfund receivables.

2.2.3. Advance Payments. 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 be used to pay for advance billings without the receipt of goods or services. The constructive delivery and drop from inventory methods described in paragraph 2.4 are exceptions to this prohibition of advances prior to receipt. Volume 11A, Chapter 3 contains additional policy pertaining to advances to non-DoD entities via Economy Act Orders. Also see Volume 4, Chapter 5, and I TFM 2-4700, Appendix 8, section 2.4 for general policy concerning advance payments.

2.3 Completion of Intra-governmental Reimbursement and Transfer Vouchers

2.3.1. Vouchers. In accordance with DLM 4000.25, Volume 4, Chapter 2, C2.2.7, when an activity is unable to utilize electronic data interchange methods, the SF 1080 is an authorized voucher that may be used to entitle, execute, and support non-interfund intra-governmental payments. See Volume 5, Chapter 9 for detailed guidance regarding disbursement vouchers.

2.3.1.1. SF 1080. The SF 1080 is used as support for bills to other DoD Components and non-DoD federal agencies for non-interfund, IGT.

2.3.1.2. SF 1081. Components may also use the SF 1081 when a manual process is required to generate interagency payments and collections between DoD and other agencies of the U.S. Federal Government. In addition, the SF 1081 is used for correcting prior expenditure or collection transactions, as well as for processing expenditure transactions not requiring payment by check.

2.3.1.3. Valuation/Cost Conditions. The following conditions may apply when using either the SF 1080 or SF 1081.

2.3.1.3.1. Surplus articles, for which payment is to be made, are listed on the voucher or supporting documents at their appraised values. Surplus articles refer to any items provided by the seller to the buyer over and above what was originally requested/agreed to.

2.3.1.3.2. 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 itemized statement: "I hereby certify that the amount billed herein represents cost as determined under ***31 U.S.C. § 1535*** and ***31 U.S.C. § 1536***." In cases where the account is billed based on unit costs (e.g., per hour, day, or mile) rather than by itemization of supplies and services, such unit costs will include all expenses of operation and maintenance except depreciation. The billing method should be identified in, and determined by, the purchase agreement between the entities.

2.3.1.3.3. The services of an employee performed for another federal department or agency may be reimbursed to the providing agency if an agreement for reimbursement was made before the rendering of such services. Copies of such agreements are attached to the transfer voucher (i.e., SF 1080, 1081, or 1034) in support of the payment.

2.3.1.3.4. 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 the standard average cost or are computed on such basis as to ensure proper reimbursement to the agency. Refer to Volume 4, Chapter 4, paragraph 4.3 for additional details concerning valuation methodologies for inventory items.

2.3.1.4. GSA 789. The ***GSA 789*** is an authorized payment voucher for purchases from GSA (DLM 4000.25, Volume 4, Chapter 2, C2.2.7).

2.3.2. Billing Verification. As prescribed by Volume 5, Chapter 5, paragraph 5.1, Certifying Officer Legislation requirements (***31 U.S.C. § 3325*** and ***31 U.S.C. § 3528***) do not apply to intra-governmental payments.

2.3.2.1. The entitlement office examines intra-governmental payment vouchers and supporting documentation to verify amounts, ensure required information is present, and validate that any required certifications are present; such as that described in 2.3.1.3.2 for the use of equipment. The entitlement office also verifies accessorial charge rates when levied by non-DoD Government activities for issues, sales, and transfers of material, supplies, and equipment.

2.3.2.2. This verification must ensure that charges do not consider recurring reimbursement issues (sales) and non-reimbursable 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 the review and examination for propriety, the entitlement office cites the accounting classification and verifies the voucher is ready for payment.

2.3.3. Receipt and Acceptance Documentation. Evidence of receipt and acceptance is required to support all intra-governmental and interfund transactions. The accurate and timely recording of receipts is critical to ensure financial statements are materially correct. DoD financial reporting entities must develop and implement internal controls to ensure receipt and acceptance is properly accomplished and documented to support all IGT. Refer to Chapter 1 for additional details concerning internal control requirements of federal agencies. Refer to Volume 4, Chapter 9 for additional details concerning receipt and acceptance requirements.

## 2.4 Constructive Delivery or Drop From Inventory

2.4.1. Overview. Components can place orders with another major organization within DoD, or another Federal agency, for goods or services under the Economy Act, 31 U.S.C. § 1535. Refer to Volume 11A, Chapter 3 for policy on Economy Act orders. 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 upon 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. Adjustments of amounts paid prior to receipt of the goods or services are made in accordance with prior agreement by appropriate Component personnel on the basis of the actual cost of goods or services provided. DoD billings are based on constructive delivery or drop from inventory as follows.

2.4.1.1. Constructive Delivery. Constructive delivery is the delivery of material by the providing entity to a commercial carrier, freight forwarder, the U.S. or an international post office, or customer at the point of production, storage, or test.

2.4.1.1.1. Delivery is evidenced by completed copies of shipping documents, material shipment status of shipping documents, or a list of deliveries to a post office. Constructive delivery also applies to billings for goods accepted by an authorized inspector of another DoD Component providing direct shipment to the consignee. Such billings must be supported with a DoD ***(DD) Form 250***, Material Inspection and Receiving Report, or other authorized documents received from the inspector showing shipment. Under constructive delivery, bills are issued when the carrier accepts the goods for transport.

2.4.1.1.2. 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 to the final destination. However, Components must perform follow-up procedures to ensure the goods have been received and accepted and obtain the documentation to support the receipt and acceptance for subsequent audit purposes.

2.4.1.2. Drop From Inventory. Drop from inventory is the reduction of the quantitative inventory balance. Billing for shipments from stock must be billed at the standard price in effect at the time the stock is dropped from inventory. Refer to Volume 11B, Chapter 15, section 2.0 for pricing policy of inventory items.

2.4.2. Non-interfund Billings From DoD

2.4.2.1. Overview. Following a supply activity requisition, reimbursable sales of material are billable after the material has been transferred using the drop from inventory method. Billing will occur on the basis of the drop from inventory or performance of services. Sales of bulk petroleum, oil, lubricants, and perishable subsistence, as well as FMS and military assistance grant aid shipments, are noted exceptions to this billing policy. Refer to DLM 4000.25, Volume 4, Chapter 2 for billing guidelines.

2.4.2.2. Responsibility of Supplying Activity. The supplying activity initiates a request for payment for items supplied to the DoD. Billings must, at a minimum, be supported by the following information: document order number, description of the article or services, delivery or other performance date, quantity, and price. The document order number will normally be satisfied by the requisition document number, and the description will normally be satisfied by the National Stock Number. The delivery or performance date is the same date established in the detailed billing record, as appropriate for the issue or service. The supplying activity notifies the requisitioning activity of item substitutions and price or quantity changes. To facilitate the resolution of billing or payment disputes involving bills, billing offices should also include electronic contact information on the bill. Refer to DLM 4000.25, Volume 4, Chapter 2 for further details regarding billing procedures.

2.4.2.3. Responsibility of Requisitioning Activity. The requisitioning activity records the amounts and quantities of items approved for payment at the time of receipt and

acceptance of the delivered items/services. The requisitioning activity adjusts the billing for unacceptable items or for items unfilled by the supplying activity and provides reimbursement for the adjusted amount. The requisitioning and supplying activities determine subsequent disposition of the unfilled items through mutual agreement.

2.4.2.4. Billing Adjustments for Short, Damaged, or Defective Shipments Within the DoD. The requisitioning activity initiates action to obtain billing adjustments. When the DoD Component shipping the items is responsible for an adjustment, a Supply Discrepancy Report (SDR) (an electronic equivalent to the ***SF 364***, Report of Discrepancy (ROD)), is prepared by the receiving activity and submitted under DLMS procedures. The Transportation Management Office or Transportation Office initiates the ***DD Form 361***, Transportation Discrepancy Report (TDR), when the shortage or damage is attributed to the commercial carriers. For procedural instructions regarding these reports, see the Defense Transportation Regulation ***(DTR), Part II, Chapter 210*** and ***DLM 4000.25, Volume 2, Chapter 17***.

2.4.2.5. Other Billing Adjustments or Allowances. The requisitioning 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 submitted via the SDR for discrepancies such as overages (to be retained by the receiving activity), unacceptable substitutes, or erroneous material received. Approved requests are applied as an adjustment or allowance to the customer account included in the billing document.

2.4.2.6. Billing and Credit for Material Diversions Using Military Standard Requisitioning and Issue Procedures (MILSTRIP)/Military Standard Transaction Reporting and Accounting Procedures. If the requisitioning activity cancels requisitions, then the requisitioning activity is credited the amount billed, including accessorial charges. Accessorial costs represent certain expenses incident to issues, sales, and transfers of materiel. Accessorial costs include costs incurred for packing, crating, and handling; transportation; and port loading and unloading (See Volume 11A, Chapter 1, subparagraph 2.4.10 for additional information). Refer to DLM 4000.25, Volume 4, Chapter 2 for MILSTRIP cancelation procedures. 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 non-stocked items and the requisitioning activity cancels the order, then the requisitioning activity is billed via the SF 1080 for contract termination costs arising from cancelation of the requisition. DLA notifies the "bill to" activity cited in the canceled requisition of impending termination costs.

## 2.5 Payments to Defense Working Capital Funds (DWCFs)

Payment for services rendered by DWCF activities is based on the prescribed rates, tariffs, and billing procedures. DWCF payments are made with the same policy as constructive delivery and drop from inventory payments described in paragraph 2.4.

## 2.6 GSA

The majority of GSA billing is accomplished via the interfund process utilizing the Simplified Interagency Billing and Collection system. When the interfund process is not used, the GSA Form 789 is used for purchases from GSA.

2.6.1. Non-interfund Billings

2.6.1.1. 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 is obtained through periodic billings and collections. Periodic billings and collections allow GSA to operate these programs with a minimum amount of appropriated funds.

2.6.1.2. The ordering activities receive bills from GSA biweekly, monthly, or quarterly, after the fact, or in advance (e.g., rental payments) on the GSA billing forms. This will be determined in the purchase agreement between the entities. As prescribed by DLM 4000.25, Volume 4, Chapter 2, when activities are unable to use electronic methods, the SF 1080 or the GSA 789 may be used for billing. GSA is not required to certify such bills. Except for those bills that are rendered in advance, 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 bills and supporting documentation containing the data necessary to permit identification of the requisition, purchase order, or other obligating documents. Components must perform follow-up procedures to ensure the goods have been received and accepted, and obtain the documentation to support the receipt and acceptance for subsequent audit purposes. GSA may process requisitions of $1 or less without billing.

2.6.2. Adjustments. GSA adjusts bills for transportation-type discrepancies attributable to the common carrier, when the difference in shipment is caused by the shipper (GSA), or results from a lost or damaged parcel post shipment. See DLM 4000.25, Volume 4, Chapter 4 for additional information on adjustments or refunds.

2.6.2.1. For lost, damaged, or defective shipments, when the discrepancy is attributable to the common carrier, the receiving activity prepares a TDR. The GSA processes these claims within the Continental United States (CONUS), since they are designated on the Government bill of lading to make payment of transportation charges to the common carrier.

2.6.2.2. When a 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 SDR. The receiving activity sends the SDR, under DLMS procedures, to the GSA National Customer Service Center (NCSC). The NCSC will accept reports of discrepancies sent by mail or via e-mail at NCSCCustomer.service@gsa.gov, or through online account access at ***GSA ADVANTAGE***.

2.6.2.3. Errors in GSA non-interfund billings, other than shipping errors, are corrected by GSA based on an electronic request for billing adjustment, if possible, or a letter or email from the billed office. The billed office sends the request for adjustment to the GSA NCSC, including a copy of the bill and explanation of the error.

2.6.2.4. GSA processes the SDR or TDR, replies to the receiving activity, and when applicable, sends an adjusted bill to the billed office. The GSA may also initiate communication

advising the billed office of erroneous billings and, when applicable, submit an adjusted bill to the billed office.

2.6.2.4.1. If GSA fails to reply to an SDR or TDR, then the receiving activity is responsible for following up with the GSA NCSC. Refer to DTR, Part II, Chapter 210, and DLM 4000.25, Volume 2, Chapter 17 for follow-up instructions. When the reply to an SDR or TDR indicates a billing adjustment will not be made, the issue may be elevated within the organization's management chain for resolution. When the reply indicates a billing adjustment will be made, the receiving activity provides a copy of the reply to the billed office.

2.6.2.4.2. If the billing adjustment that GSA stated was forthcoming is not received within 60 calendar days of the date of the reply to the SDR or TDR, the SDR/TDR submitter should consult the billed office for verification. When non-receipt of credit is confirmed, the billed office will submit a request for billing adjustment as prescribed by the Military Standard Billing System procedures contained in DLM 4000.25, Volume 4, Chapter 4.

2.6.3. Transportation. GSA pays transportation costs on stock items to all CONUS activities and to U.S. ports of embarkation for overseas shipments. These costs are included in the GSA standard stock item prices.

2.6.4. Non-interfund Payments

2.6.4.1. Payment is made for material through the IPAC system within 15 days after receipt of the GSA invoice. Bills are paid as rendered without pre-audit 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 process must be established to ensure the material paid for has been received and accepted. Documentation obtained in support of the receipt and acceptance must be retained as part of the support for the billing for future audit purposes. Documentation must be retained in accordance with the timeframes and requirements identified in Volume 1, Chapter 9 and the ***General Records Schedules*** of the National Archives and Records Administration's disposal authorization guidance.

2.6.4.2. As prescribed by DLM 4000.25, Volume 4, Chapter 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.

2.6.4.3. Surcharge rates apply when unique DoD marking/packing requires the shipment to be physically handled by a GSA export packing facility. Surcharge rates are computed by applying an authorized percentage of the value of the material ordered and shipped to customers overseas from GSA wholesale distribution centers and vendors. These rates are subject to change each fiscal year based on an annual review of actual costs by GSA (DLM 4000.25, Volume 4, Chapter 2).

2.6.4.4. GSA Accounting Services is responsible for GSA Motor Pool transactions incurred by the local Transportation Officer. Travel Pay sections process payments to GSA or contractors for vehicle rentals authorized by travel orders. Use the data on the documented detailed billing cards to identify the requisition, purchase order, travel order, or other obligating documents. The billing information must be compared to the obligation document; if an error is found, then follow instructions in subparagraph 2.6.2. Payment is due within 30 days of the billing date (see subparagraph 2.3.3 for requirements regarding receipt and acceptance). GSA supports each transaction listed with detailed billing cards for use with either mechanized systems or for manual processing.

2.6.4.5. GSA has exclusive multiyear contracting authority for telecommunications resources. However, GSA may delegate this authority in certain instances (see ***DFARS 239.7405***). GSA bills for federal telecommunication services are submitted monthly and paid in advance using the IPAC system, without pre-audit or receipt verification and subject only to the availability of funds (see ***10 U.S.C. § 2396*** and ***40 U.S.C. § 581(g)***). These bills should be paid within 15 days after receipt of the GSA invoice. Components must perform follow-up procedures to ensure the services have been received and obtain the supporting documentation (receipt verification) for subsequent audit purposes.

2.6.5. Billing and Credit for Material Diversions Using MILSTRIP. Activities seeking credit resulting from canceled requisitions for a material diversion must provide confirmation of the amount billed, including accessorial charges. The alternate consignee 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 cancelation of the requisition. GSA will promptly provide the bill to the activity cited in the canceled requisition of impending termination costs.

## 2.7 Payments to the Government Printing Office (GPO), Library of Congress, and Government Corporations

2.7.1. Overview. The ***DLA Document Services*** is the single DoD focal point for GPO ordering and management of document services in accordance with ***DoD Instruction 5330.03***. An invoice is submitted to the requisitioning activity upon the furnishing of printing services or supplies. The office billed prepares and processes the SF 1080 for payment and must attach an invoice to the SF 1080. Instead of transcribing the details of the transactions, each invoice can be listed under the caption "per attached invoice" according to date, number, and other identifying data as appropriate.

2.7.2. Payments to GPO. GPO reimburses the contractor for commercial printing services acquired through that agency.

## 3.0 PARTIAL PAYMENTS

In accordance with ***FAR 32.906(c)*** and ***5 CFR 1315.4(k)***, unless prohibited by the contract, partial payments are authorized invoice payments for partial delivery of contractual quantities that have been accepted by the Government. Partial payments are payments made to the contractor after the work has been completed, or goods provided, and are based on items accepted on the

receiving report. Per ***FAR 32.102(d)***, payments for accepted supplies and services that are only a part of the contract requirements (i.e., partial deliveries) are authorized by ***10 U.S.C. § 3801(a)(1)***. When appropriate, contract statements of work and pricing arrangements must permit acceptance and payment for discrete portions of the work as soon as accepted (FAR 32.906(c)).

3.1 Invoicing and Tracking

When partial payments are made on purchase orders, contracts, or delivery orders, a partial payment record is maintained by the entitlement office. A separate partial payment record is maintained for each purchase order, contract, or other obligation document requiring partial payments. Contractors will submit payment requests and receiving reports in electronic form, utilizing the Wide Area Workflow (WAWF) module within the Procurement Integrated Enterprise Environment (PIEE), as prescribed by ***DFARS 232.7002*** and ***DFARS 232.7003***, with noted limited exceptions. When payment requests and receiving reports are not submitted in electronic form, the contracting officer will consult with the payment office and the Administrative Contracting Officer (ACO) regarding the preferred method for submission.

3.2 Discounts Offered

Partial payment requests may contain discount provisions per the contract, or on the invoice, that must be considered. See Chapter 2 for discount policy.

3.3 Ordering Agreements and Blanket Delivery Orders

Payments made against blanket purchase agreements, call-type contracts, and blanket delivery orders, as defined by ***FAR Part 16***, are not considered partial payments, except when more than one payment is required on an individual call or order.

4.0 CONTRACT PAYMENT ALLOCATIONS

4.1 Overview

In accordance with ***DFARS, Subpart 204.7108***, contracting officers must follow the procedures at ***DFARS 204.7108, Procedures, Guidance, and Information (PGI)***, for inclusion of payment instructions in contracts. The payment instructions provide guidance to the payment office to assign payments to appropriate accounting classification reference numbers (ACRNs) based on the anticipated contract work performed (regulatory guidance for establishing ACRNs is contained in ***DFARS PGI 204.7107***). Payment instructions are required for any contracts or separately priced orders that:

4.1.1. Include deliverable line items or subline items that are funded by multiple accounting classifications;

4.1.2. Contain cost-reimbursement or time-and-materials/labor-hour line items; or

4.1.3. Authorize financing payments.

4.2 Application

The DFARS PGI payment instructions provide for a specific allocation methodology based on the type of payment request being submitted and the type of effort being procured. The contracting officer must insert the specific instructions, or a link to the table at DFARS PGI 204.7108(b)(2), into section G of the contract. The DFARS PGI payment instructions include an authorization for the contracting officer to utilize an alternative "Other" allocation methodology if none of the specific payment-type instructions apply. However, this methodology may only be used if:

4.2.1. It provides a significantly better reflection of how funds will be expended in support of contract performance; and

4.2.2. It is agreed to by the payment office and the contract administration office. A copy of the agreement will be kept in the contract file.

5.0 CONTRACT FINANCING PAYMENTS

5.1 Overview

A contract financing payment, as defined in ***FAR 32.001*** and ***DFARS Subpart 232***, is an authorized Government disbursement of monies to the contractor prior to acceptance of supplies or services by the Government. Contract financing payments relieve the contractor from responsibility for the total financing of a contract that extends over a long period, or is for a large amount of money. These payments must be authorized by the contracting officer within the contract terms and conditions.

5.1.1. Contract financing payments include:

5.1.1.1. Progress payments based on cost (***FAR 32.5*** and ***DFARS 232.5***);

5.1.1.2. Progress payments based on a percentage or stage of completion (FAR 32.102);

5.1.1.3. Performance-based payments (***FAR 32.10*** and ***DFARS 232.10***);

5.1.1.4. Advance payments (***FAR 32.4*** and ***DFARS 232.4***);

5.1.1.4.1. Commercial advance and interim payments (***FAR 32.2*** and ***DFARS 232.2***); and

5.1.1.4.2. Interim payments under a cost-reimbursement-type contract, except for a cost-reimbursement contract for services when Alternate I of the clause at ***FAR 52.232-25*** is used. See section 6.0 for policy pertaining to payments on cost-reimbursement-type contracts.

5.1.2. In accordance with ***DFARS 232.102-70***, the contracting officer may establish provisional delivery payments to pay contractors for the costs of supplies and services delivered to and accepted by the Government under certain contract actions. This may take place if the contract is undefinitized, whereby the contract terms, specifications, or prices are not agreed upon before performance begins.

5.1.3. Contract financing payments do not include:

5.1.3.1. Invoice payments;

5.1.3.2. Payments for partial deliveries;

5.1.3.3. Lease and rental payments; or

5.1.3.4. Interim payments under a cost-reimbursement-type contract for services when Alternate I of the clause at FAR 52.232-25 is used.

5.2 Progress Payments

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

5.2.1. Progress Payments Based on Costs. These payments, authorized by the inclusion of ***FAR clause 52.232-16***, are made to the contractor when requested, but not more frequently than monthly and only in amounts approved by the ACO in accordance with FAR 32.5 and DFARS 232.5. Progress payment requests are processed in sequential order.

5.2.1.1. Per FAR clause 52.232-16, total amount of progress payments shall not exceed 80 percent of the total contract price, as defined by ***FAR 32.501-3***. Additionally, in accordance with ***FAR 32.501-1*** and ***10 U.S.C. § 3804(b)***, progress payments may not exceed 80 percent of the eligible costs of work accomplished on undefinitized contract actions (UCA), as defined by ***DFARS 217.7401***, and;

5.2.1.1.1. A contractor performing the contract for which a UCA is entered into has not already received increased progress payments on contractual actions other than UCAs; or

5.2.1.1.2. A contractor performing the contract for which a UCA is entered into, and that has received increased progress payments on contractual actions other than UCAs, can demonstrate that the contractor has promptly provided the amount of the increase to any subcontractors (at any tier), small business concerns, or suppliers of the contractor.

5.2.1.2. Each contractor request for progress payment must be prepared and submitted through the WAWF module of PIEE, as a separate progress payment document/***SF 1443***, Contractor's Request for Progress Payment, in accordance with ***DFARS 252.232-7003***, with noted limited exceptions. The FAR and DFARS links provided herein discuss the computation, liquidation, reduction, suspension, and limitations of progress payments.

5.2.1.3. ***DFARS 252.232-7004*** provides for special liquidation rates pertaining to small businesses (90%) and small disadvantaged businesses (95%). However, the limitation/ceiling of 80% of total contract price specified by FAR clause 52.232-16 still applies.

5.2.1.4. Progress payments may have different liquidation rates. For example, a contract may have different liquidation rates for payments pertaining to the U.S. effort versus FMS. In this example, the liquidation rate could be 80 percent for the U.S. work versus 90 percent for the FMS, and two separate progress payment requests are required to be prepared and submitted by the contractor. In addition, as prescribed by ***DFARS 252.232–7002***, if more than one FMS country is involved, the contractor is required to attach a supporting schedule to the progress payment request identifying the countries and the requested distribution of the payment. Unless directed otherwise in the contract, or by the contracting officer, the contractor submits the progress payment requests, with supporting information, to the entitlement office designated in the contract when requesting a progress payment.

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

5.2.1.5.1. Payments based on the percentage or stage of completion when the contract contains either ***FAR clause 52.232-5*** or ***FAR clause 52.232-10***;

5.2.1.5.2. Payments for partial deliveries accepted by the Government;

5.2.1.5.3. Partial payments for a contract termination proposal; or

5.2.1.5.4. Performance-based payments (FAR 32.10).

5.2.2. Progress Payments for Fixed-Price Construction Contracts. The Government may make progress payments on fixed-price construction contracts containing FAR clause 52.232-5 based on estimates of work accomplished that 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, should be processed by the entitlement office as partial payments as described in paragraph 3.1.

5.2.3. Progress Payments Based on a Percentage of Completion. ***FAR 32.102(e)(1)*** references the statutory authority to use progress payments based on a percentage or stage of completion. These are authorized only for contracts for construction (as defined in ***FAR 36.102***), shipbuilding and ship conversion, alteration, or repair. However, percentage or stage of completion methods of measuring contractor performance may be used for performance-based payments in accordance with FAR 32.10. Agency procedures must ensure that payments are commensurate with work accomplished, which meets the quality standards established under the contract.

5.2.4. Progress Payment Allocations to Accounting Classifications

5.2.4.1. DFARS PGI 204.7108 identifies the methodologies for allocation (payment instructions) that contracting officers must include in contracts when financing payments are authorized. The DFARS PGI provide instruction to the payment office to assign payments to the ACRN citation(s). Refer to Volume 4, Chapter 12, section 4.0, concerning the accounting treatment of progress payments.

5.2.4.2. When allocating progress payments across ACRNs, controls must be established to ensure disbursements do not exceed obligations at the ACRN level. In order to incorporate these necessary controls, progress payments, performance-based payments, and commercial item financing will ordinarily be charged to an ACRN so that the outstanding financing payment balance for each ACRN does not exceed the Unliquidated Obligation (ULO) for that ACRN multiplied by the contractual liquidation rate. This internal control ensures contracts are not over liquidated at the ACRN level, potentially causing a negative ULO condition, prior to final delivery. For ACRNs that fund both fixed-price and cost-type line items, the allocation methodology of contract financing applies only to the fixed-price portions (in accordance with FAR 32.501-3).

5.2.4.2.1. If the ACRN allocation instructions within the contract, based on the incorporation of DFARS PGI payment instructions, deviates from the allocation process described in 5.2.4.2, allocations in entitlement and accounting systems may be established to reflect payment instructions that 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 ***31 U.S.C. § 1553*** prior to closure of the appropriation account by operation of ***31 U.S.C. § 1552***. If payment instructions direct liquidation of ACRN balances in excess of the ULO balance multiplied by the contractual liquidation rate, controls must be established to ensure that ACRNs with mixed-type funding (fixed and cost) are not over liquidated, and that the overall contract ceiling of 80% of contract price (FAR clause 52.232-16) is not exceeded.

5.2.4.2.2. If the contracting officer determines an alternate ACRN allocation methodology is to be used to liquidate payments for a specific contract, as described in 5.2.4.2.1, then the contracting officer must incorporate the DFARS PGI payment instruction of "Other" (prescribed by DFARS PGI 204.7108(d)(12)) and negotiate a written agreement to such an alternate methodology with the payment office before that alternate allocation methodology may be used. A copy of the written agreement, or the contractual modification identifying the specific payment instruction, must be maintained in the contract file and the payment office files for audit support purposes.

5.2.4.3. There are occasions when work is shifted from one contract to another for the same contractor. The shifting of work between contracts must 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.

5.2.4.4. 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 representing the country code, implementing agency, and case line item. If there is more than one ACRN for each country code, the amount charged to each country code is prorated to the ACRNs identified to that country code, or allocated in a manner identified by, or acceptable to, the ACO (in accordance with DFARS PGI 204.7108 and DFARS 252.232-7002). Proration is based on the ratio of the ACRN obligation to the total obligation for a particular country code.

5.2.5. Progress Payment Recoupment

Progress payments are recouped (liquidated) either by voucher deductions from amounts otherwise due the contractor on payments for fixed-price delivered and accepted items, or in extremely rare cases, by cash refunds. Recoupments must be based on the DFARS PGI payment instruction requirements contained in the contract, as described in 5.2.4.1. If the contract contains the FAR clause 52.232-16, progress payment financing shall be liquidated by deducting from any payment under this contract, other than advance or progress payments, the unliquidated progress payments, or 80 percent of the amount invoiced (or an alternate liquidation rate established in accordance with ***FAR 32.503-9***), whichever is less.

5.2.5.1. Deduction From Vouchers

5.2.5.1.1. Disbursement vouchers are prepared for the gross amount of work completed by the contractor and charged to the applicable accounts, based on the contractual payment instructions. From this gross amount, the deduction for the liquidation amount will occur to recoup the prior progress payment financing.

5.2.5.1.2. The recouped amount is determined by multiplying the gross amount of the invoice by the liquidation rate stated in the contract. If this amount is greater than the outstanding progress payment balance on the contract, then the outstanding progress payment balance becomes the amount recouped.

5.2.5.1.3. The recoupment is computed and applied, utilizing the DFARS PGI payment instructions contained in the contract, against the outstanding progress payment balances of the ACRNs to which the delivery is applicable.

5.2.5.1.4. If an insufficient outstanding balance of progress payments exists on the ACRNs applicable to the delivered items, then any remaining outstanding progress payment balance on other ACRNs must be recouped, up to the liquidation rate established in the contract, which is ordinarily 80%.

5.2.5.1.4.1. If sufficient schedule information is available, then any remaining recoupment is applied against the outstanding progress payment 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.

5.2.5.1.4.2. If sufficient schedule information is not available, then the remaining liquidation is prorated against those ACRNs with an outstanding progress payment balance within the service of the deliverable first, and then from other service ACRNs when necessary. The basis for the proration is the ratio of the individual ACRN progress payment balances to the total contract progress payment balance.

5.2.5.1.5. 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 payment against U.S.-funded ACRNs, then progress payments are recouped only against the U.S. ACRNs. For a deliverable payment against FMS-funded ACRNs, progress payments are recouped against only those countries involved with the FMS deliverable.

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

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

## 5.3 Performance-Based Payments

As prescribed by FAR 32.10, performance-based payments are a form of contract financing that is authorized for use by the inclusion of ***FAR clause 52.232-32*** in solicitations that may result in contracts providing for performance-based payments, and fixed-price contracts under which the Government will provide performance-based payments. Performance-based payments and progress payment financing may not be authorized on the same contract, or individual order (for indefinite delivery contracts), per ***FAR 32.1003***.

5.3.1. Payment. Performance-based payment financing differs from progress payments, which are based on costs incurred, in that they are based on objective quantifiable performance, the accomplishment of defined events, or some other quantifiable method. Two different types of performance-based payments may be included in a contract. The inclusion of ***DFARS clause 252.232-7012*** authorizes performance-based financing payments on a whole contract basis, whereas ***DFARS clause 252.232-7013*** authorizes the payments on a deliverable line-item basis. As prescribed by ***FAR 32.1004(b)(2)(ii)***, total performance-based payments shall not exceed 90 percent of the contract price if on a whole contract basis, or 90 percent of the delivery item price if on a delivery item basis.

5.3.2. Recoupment. Performance-based financing payment amounts shall be recouped (liquidated) by deducting a percentage, or a designated dollar amount, from the delivery payments in accordance with FAR clause 52.232-32. The contracting officer must specify the liquidation rate or designated dollar amounts in the contract. The method of liquidation must ensure complete recoupment no later than final payment. As prescribed by FAR 32.1004, the methodology for

liquidating performance-based financing payments must be stated in the contract and will be on the same basis as they were paid, whole contract basis or line-item basis.

5.4 Advance Payments for Non-commercial Items

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. Contracts must include ***FAR clause 52.232-12*** authorizing these payments before payment may be made. In accordance with FAR clause 52.232-12, these payments will be made payable to the contractor marked for deposit only in the contractor's special bank account designated for this purpose. For more details, see FAR 32.4, DFARS 232.4, and Chapter 4.

5.4.1. Reconciliation and Tracking. Subsidiary records of individual advances must be maintained to support the amount recorded in the general ledger account. The subsidiary record must include the amount advanced, the date advanced, the applicable contract number, and the disposition of the advance. At least quarterly, the subsidiary record must be reconciled with the general ledger balance; see Volume 4, Chapter 3.

5.4.2. 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, under the authority of ***FAR 32.408*** and ***DFARS 232.470***.

5.4.2.1. 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 that 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.

5.4.2.2. Contracts may cite the funds of more than one agency or department when the contract is part of a pooling agreement. When more than one contract is involved in the pooling agreement, one or more of the contracts is designated as the contract for which the advance payments are applied. This is usually a large dollar value contract.

5.4.2.3. The following policies apply to DoD Components operating under advance payment pool agreements.

5.4.2.3.1. The contractor request for an advance payment must be submitted to, approved, and certified for payment by the office(s) specified in the contract. The advance payment must cite a specific appropriation associated with the advance payment pool agreement. The approved payment request is then forwarded to the payment/entitlement office cited in the contract to be paid.

5.4.2.3.2. Upon receipt of a properly approved advance payment voucher in the entitlement office, it must be reviewed for accuracy. If proper, the voucher is entitled and forwarded to the disbursing office to be paid.

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

5.4.2.3.2.2. A record must be maintained of all contract financing payments made by the entitlement office.

5.4.2.3.2.3. Total payments must not exceed the total amount authorized on the contract.

5.4.2.3.2.4. Payments are to be 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 and are not subject to Prompt Payment Act (PPA) interest.

5.4.2.4. Controls must be established (e.g., manual or electronic ledgers) by the payment office to ensure cumulative payments, plus the amount advanced, do not exceed the ULO of all contracts awarded under the pooling agreement. This condition may result from:

5.4.2.4.1. Failure to receive obligating documents, or

5.4.2.4.2. Nearing completion of the pool contracts.

5.4.2.5. Do not make a (non-advance) contract payment when it causes the ULO to fall below the advanced amount. If this condition occurs, 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.

5.4.3. Recoupment of Advance Payments

The methodology for recoupment of advance payments should be stated in the contract. In accordance with FAR clause 52.232-12, at any time, the contractor may repay all or any part of the funds advanced by the Government. Whenever requested in writing to do so by the administering office, the contractor must repay to the Government any part of unliquidated advance payments considered by the administering office to exceed the contractor's current requirements. If the contractor fails to repay the amount requested by the administering office, all or any part of the unliquidated advance payments may be withdrawn from the special account established for deposit of the advanced payments, by check signed by only the countersigning agent and applied to reduce the unliquidated advance payments under this contract. If the agency considers a more rapid liquidation appropriate, the contracting officer may use the clause with its Alternate III.

5.4.3.1. When the advance is recouped, or repaid by the contractor, charge the appropriate contracts in the pooling agreement and reduce the amount recorded against the designated contract as advance payments.

5.4.3.2. When a contract is terminated, the disbursing office will collect any balances due for advance payments not liquidated, as well as accrued interest if applicable (see ***FAR 32.407***).

## 6.0 COST-REIMBURSEMENT-TYPE CONTRACTS

Cost-reimbursement-type contracts provide for payment of allowable costs incurred, to the extent prescribed in the contract. These contracts establish an estimate of the total cost for purposes of obligating funds, and contain a cost limitation that the contractor may not exceed (except at its own risk) without the approval of the contracting officer (See ***FAR 16.3***). Interim payments under a cost-reimbursable-type contract are considered contract financing and are governed by the requirements of FAR, Part 32, except for cost-reimbursement contracts for services, when Alternate I of the clause at FAR 52.232-25 is used.

### 6.1 Recording of Payments

The general ledger posting requirements for those interim cost-reimbursement payments that are considered contract financing are contained in Volume 4, Chapter 5.

### 6.2 Authority to Review and Approve Vouchers

The Defense Contract Audit Agency (DCAA) has sole authority for verifying claimed costs and provisionally approving interim payment requests under cost-reimbursement, non-commercial and commercial time-and-materials, and labor-hour type contracts. This authority may include, upon request, cost verification and provisional approval for state and local government-submitted claims that fall under the provisions contained in ***2 CFR 200***. In accordance with ***DFARS 242.803***, DCAA utilizes sampling methodologies to select interim vouchers for review prior to sending them to the payment office. Interim vouchers not selected for pre-payment review will be considered to be provisionally approved and will be sent directly to the payment office. All provisionally approved interim vouchers are subject to later audit of actual costs incurred. A Contracting Officer's Representative (COR) may not be delegated authority to approve these types of payments. The COR may review contractor billings, but is expected to coordinate with DCAA when any cost verification of data is necessary for support of their surveillance responsibilities. Therefore, DCAA provisionally approves interim payment requests subject to final audit, the ACO approves the final payment request on the contract, and the COR coordinates with DCAA if any cost verification is needed.

### 6.3 Invoice Submission

Contractors must submit payment requests and receiving reports in electronic form, utilizing the WAWF module of PIEE, as prescribed by DFARS 232.7002 and DFARS 232.7003, with noted limited exceptions. When payment requests and receiving reports are not required to be submitted in electronic form, the contracting officer will consult with the payment office and the ACO regarding the preferred method for submitting payment requests.

6.4 Special Provisions for Foreign Military Sales (FMS) - Funded Contracts

Special payment techniques are required in some cases when the contract includes requirements under the FMS program for more than one country, or one or more countries and the United States. Further policy regarding FMS-funded contracts is contained in Volume 15.

7.0 FAST PAYMENT

The fast payment policies authorize payment prior to verification that supplies have been received and accepted on contracts containing ***FAR clause 52.213-1***, 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 non-conforming items. Contractors must submit payment requests in electronic form, utilizing the WAWF module of PIEE, as prescribed by DFARS 232.7002 and DFARS 232.7003, with noted limited exceptions (see Chapter 8 for additional policy regarding electronic submission requirements).

7.1 Payment Timelines and Requirements

Payment is to be made no later than 15 days after receipt of a proper fast pay invoice. However, if the payment office does not meet the 15-day requirement for payment, PPA interest will begin to accrue in accordance with procedures applicable to invoices to which the fast payment procedure clause does not apply. See Chapter 7 for additional PPA policy and requirements.

7.1.1. Both manual and electronic 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, then the invoice may be paid using fast payment procedures.

7.1.2. If the fast payment procedure clause is not incorporated into the contract, 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.

7.2 Controls

The entitlement office, together with the contracting officer, must ensure the following conditions are in place when using the fast payment procedures.

7.2.1. A closed loop process exists that matches payments to material receipts and resolves non-receipt or other discrepancies. This should consist of a management control/audit program by the entitlement office for the post-payment examination of payments made under fast pay.

7.2.1.1. Authorized personnel with direct knowledge of the receipt must document receipt of goods and services. This documentation, whether hardcopy or systemic, must be made

available within the timeframe prescribed by a post-payment examiner when requested during audits. The audit must confirm receipt and acceptance and include matching with payment documents.

7.2.1.2. 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 contract deficiency report to the contracting officer for non-compliance with contract terms so the entitlement office and the contracting officer can start collection actions.

7.2.2. Auditable evidence of receipt and acceptance of the goods/services exists and is accessible. Audit evidence of receipt must have the date the items were delivered or when the services were rendered, the printed authorizing official's name, and authorizing signature or electronic/digital approval. Audit evidence of acceptance is the authorization that the receipt of goods/services matches the criteria identified on the originating order and acknowledges the items/services are of acceptable condition/quality.

7.2.3. An information flow exists that links consignee (the post office, common carrier, or point of first receipt by the Government) 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.

7.2.4. A prevalidation process exists that matches expenditures and obligations for fast pay transactions (See Chapter 1 for additional information on prevalidation requirements).