

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

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by [blue font](#).

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

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The previous version dated [May 2022](#) 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 1

FINANCIAL CONTROL OF VENDOR AND CONTRACT PAYMENTS

1.0 GENERAL

1.1 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. 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.

1.2 Authoritative Guidance

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

2.0 INTERNAL CONTROLS

2.1 Statutory Compliance

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

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

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

2.1.3. 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.

2.2 Federal Standards

The FMFIA requires the Government Accountability Office (GAO) to issue standards for internal control in Government. Refer to [GAO Standards for Internal Control](#) 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, 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 and integral part of, ongoing operations. The OMB prescribes policies and standards for executive departments and agencies to follow in developing, operating, maintaining, evaluating, and reporting on financial management systems (see [OMB Circular A-123 Appendix D](#)).

2.3 Regulatory Compliance

It is DoD policy 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). In addition, financial managers with responsibilities for ensuring internal controls are established and functioning properly to comply with this policy must:

2.3.1. 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;

2.3.2. 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. The complete listing of financial management system requirements is in the OMB Circular A-123 Appendix D. Efforts to develop or modify a critical financial management system must be subject to the compliance process (see Volume 1, Chapter 3);

2.3.3. 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;

2.3.4. Utilize electronic processes and digital signatures, as prescribed by [OMB Circular A-130, Appendix II](#), whenever possible and in the best interest of the Government;

2.3.5. Employ systems that ensure the authenticity of electronically transmitted data, including the electronic signature. Such controls must provide reasonable assurance that deliberate or inadvertent manipulation, modification, or loss of data during transmission is detected;

2.3.6. Ensure prevalidation and payment documentation to vendors and contractors is retained in accordance with Volume 1, Chapter 9 and is readily available to support future audit efforts. Original payment documentation, and associated supporting documentation, must also be retained in accordance with Chapter 8, paragraph 4.1. 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 prevalidation and the payments. Electronic record storage requires adequate controls to ensure that integrity of the digital images accurately represents the corresponding paper

documentation and detects changes to an original digital image. The retention of documentation, both paper and electronic records, is the responsibility of the certifying officer; and

2.3.7. Implement finance and accounting data structures that comply with the Standard Financial Information Structure and the Standard Line of Accounting (see Volume 1, Chapter 4).

2.4 Periodic Reviews

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

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

2.4.2. Periodically (minimum annually) test effectiveness of internal controls, document results of testing, and take necessary corrective actions (see OMB Circular A-123).

3.0 PREVALIDATION

3.1 General

Prevalidation, as described in [*Public Law 104-61 Sec. 8102*](#), 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).

3.1.1. 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.

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

3.1.3 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).

3.1.4. 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 (section 14.0), and it directs the accounting office to immediately record an obligation based upon valid and proper obligation documents in its possession for amounts that are \$2,500 or less.

If the dollar amount is greater than \$2,500, the accounting office must take the actions required to remedy the unrecorded obligations as prescribed in Volume 3, Chapter 8, subparagraph 14.3.2.

3.1.5. Prevalidation must ensure validation of the line of accounting associated with the planned disbursement with the line of accounting on the obligating document before the financing or invoice payment is made.

3.2 Thresholds

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

3.2.1. All non-MOCAS payments must be prevalidated.

3.2.2. The following prevalidation thresholds must be used for MOCAS payments:

3.2.2.1. All dollar value payments made on contracts awarded after fiscal year (FY) 2004 must be prevalidated; and

3.2.2.2. For contracts issued during FY 2004 and prior, payments greater than \$5,000 must be prevalidated.

4.0 PAYMENT LIMITATIONS

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

4.1 Limitation on Undefined Contracting Actions

4.1.1. According to Defense Federal Acquisition Regulation Supplement [\(DFARS\) 217.7401](#), “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 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.

4.1.2. In accordance with [Federal Acquisition Regulation \(FAR\) 16.603-4](#), letter contracts must include [FAR 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 [DFARS 217.7404-4](#) and [DFARS 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](#) for additional information.

4.2 Limitation of Cost or Funds

4.2.1. The basic requirements for contract funding are described in [FAR 32.7](#), and supplemented by [DFARS 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, unless otherwise authorized by law (see Volume 14, Chapter 2). Before executing any contract, the contracting officer must obtain written assurance from the responsible fiscal authority that adequate funds are available, or expressly condition the contract upon availability of funds, in accordance with [FAR 32.703-2](#).

4.2.2. Fully-funded, cost-type contracts may include [FAR 52.232-20](#), or incrementally funded, cost-type contracts may include [FAR 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.

4.3 Limitation on Withholding of Payments

In accordance with [FAR 32.111\(b\)\(2\)](#), supply; research and development; service; time and materials; or labor hour contracts, that include two or more terms that authorize temporary withholding of amounts otherwise payable, must include a clause substantially the same as [FAR 52.232-9](#). Under the terms stated therein, the total amount that may be withheld at any one time must not exceed the greatest amount that may be withheld under any one clause or the contract schedule term amount 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 any withholding for which the contracting officer determines the limitation would not be appropriate.

4.4 Limitation of Government's Obligation

In accordance with [DFARS 232.706-70](#), incrementally funded, fixed-price contracts (one or more incrementally funded contract line items) must include [DFARS 252.232-7007](#). Under the terms stated therein, the Government's obligation to the contractor for the incrementally funded contract line item number(s) (and the contractor's obligation to perform) 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”

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CHAPTER 2

DISCOUNT OFFERS AND REBATES/REFUNDS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the policy for payment discounts and government purchase card (GPC) rebates. This chapter also provides information on determining if discounts should be taken and provides information on rebates offered by the GPC issuer to encourage early payment.

1.2 Authoritative Guidance

The DoD will follow the supporting guidelines for taking discounts and rebates found in [Title 5, Code of Federal Regulations \(CFR\), part 1315](#); Federal Acquisition Regulation, [\(FAR\) 32.906\(e\)](#); and Office of Management and Budget, [\(OMB\) Circular A 123, Appendix B, Chapter 7](#). Travel card rebates are addressed in DoD Government Travel Card Regulations, promulgated under the authority of [DoD Instruction 5154.31](#), Volume 4 - Commercial Travel Management, "DoD Government Travel Charge Card Program." The [OMB Circular A-130](#), Appendix II prescribes the use of electronic processes and digital signatures whenever it is possible and in the best interest of the Government.

2.0 DEFINITIONS

2.1 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.

2.2 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). See Chapter 7, paragraph 2.4 for guidance on determining the invoice receipt date. 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).

2.3 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 U.S.

Department of Treasury (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.

2.4 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.

2.5 Liquidated Damages

As provided for in [FAR 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.

2.6 Rebate/Refund

2.6.1. 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. A corrective rebate is done to correct improper or erroneous payments or for an invoice adjustment. The terms “rebate” and “refund” are used interchangeably throughout the CFR, OMB guidance, and existing legislation.

2.6.2. The current General Services Administration (GSA) contract offers productivity refunds based on timeliness and/or frequency of payments and sales refunds based on the dollar volume during a specified period. As stated in OMB Circular A-123, Appendix B, Chapter 7, a refund is a monetary payment provided by a charge card issuer to the agency/organization as stated in the contract. The three types of refunds are:

2.6.2.1. Sales refunds, which represent payments from the charge card issuer to the agency/organization based on the dollar or “spend” volume during a specified time period;

2.6.2.2. Productivity refunds, which represent payments from the charge card issuer to the agency/organization based on the timeliness and/or frequency of payments made to the contractor; and

2.6.2.3. Corrective refunds, which are payments from the charge card issuer to the agency/organization to correct improper or erroneous payments or an invoice adjustment.

2.6.3. For the GSA SmartPay 3 Program, a composite refund approach is used, which combines sales and productivity refunds together. As a result, there are generally no separate sales or productivity refunds. For simplicity, the refunds under GSA SmartPay 3 are referred to as "sales" refunds. See OMB Circular A-123, Appendix B, Chapter 7.1 (note).

2.7 Trade-in

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

2.8 Treasury Current Value of Funds Rate

The CVFR is used to assess interest charges for outstanding debts owed the government, to evaluate the cost-effectiveness of a cash discount or sales/productivity refund, and to determine when agencies should pay purchase card invoices when a rebate is offered by the card issuer. Use the Fiscal Service CVFR to view current and historical CVFRs.

3.0 POLICY

3.1 Discounts

3.1.1. 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 must take the discount if economically justified, but only after acceptance of the goods or services has occurred. [FAR 32.111\(b\)](#) requires [FAR 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 a conversation record to the invoice 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.

3.1.2. Entitlement offices must schedule discounted 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, or on the electronic funds transfer settlement date, per 5 CFR 1315.4(h). If the payment office cannot apply the discount, payments must be made in accordance with the payment due date guidelines prescribed in 5 CFR 1315.4(g).

3.1.3. A discount is advantageous to the DoD when the discount terms yield an effective annual discount rate that equals or exceeds the CVFR, calculated using the Fiscal Service Discount Calculator cited in paragraph 2.3. DoD Component payment systems must incorporate processes 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 discount rate equal to or greater than the CVFR.

3.1.4. 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 payment date of the discount erroneously taken, as prescribed in 5 CFR 1315.10(a)(6).

3.1.5. When the discount terms in the contract and the invoice differ, DoD Components must take the most cost-effective discount.

3.1.6. Compute discounts on the approved gross amount of the invoice, except as follows.

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

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

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

3.1.6.4. 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.

3.1.6.5. Contract or purchase order modifications may change or add discount terms. Take the discount on any subsequent payment that is made by the new or revised discount date when new or revised discount terms apply.

3.1.7. 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.

3.1.8. The following requirements are used when liquidated damages apply and a contract for supplies, services, research and development, or construction includes [FAR 52.211-11](#), [FAR 52.211-12](#) or [Defense Federal Acquisition Regulation Supplement 252.217-7009](#).

3.1.8.1. When liquidated damages apply, and the contract or invoice 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.

3.1.8.2. When 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.

3.1.9. 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.

3.1.9.1. When the discount terms have been met, take the discount against the gross amount of the invoice. If the discount date is not met, only 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.

3.1.9.2. If the contractor has had the use of these progress payments, the payment office is entitled to take a prompt payment discount on them at the time they are recouped.

3.1.9.3. 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.

3.1.10. 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 contract completion as rebates. Such discounts must be deposited in the Miscellaneous Receipts Account of the Treasury.

3.1.11. When contracts have Free on Board 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.

3.1.12. 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. Entitlement or disbursement system capabilities must be in place to identify and periodically report discounts lost to management for assessment and appropriate corrective actions.

3.1.13. Components must ensure that documentation supporting the discount transactions is retained in accordance with Volume 1, Chapter 9 and is readily available to support 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.

3.2 Rebates/Refunds

3.2.1. Components must have internal controls and procedures in place to allow them to maximize the sales/productivity refunds, and to identify and collect the corrective rebates. Components must ensure that documentation supporting the rebate/refund transactions is retained in accordance with Volume 1, Chapter 9 and is readily available to support 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 rebates/refunds.

3.2.2. GPC billing statements must 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 must determine and make available, as needed, GPC payment data that compares the Current Value of Funds to the rebate discount points, for the payment cycle day. This data must be used to assist Components and the payment office in performing a cost and benefit 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 must forward their approved GPC billing statements to the payment office to allow sufficient time to process the payment, receive a rebate for early payment, and avoid interest penalties per 5 CFR 1315.8.

3.2.3. DoD Components may use the [Fiscal Service Rebate Spreadsheet](#), which automatically calculates the net savings to the government and whether the DoD Component must 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.

3.2.4. The charge card issuer 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 charge card issuer are calculated properly.

3.2.5. Pursuant to [Title 10, United States Code, section 4754](#), DoD rebates attributable to the use of the GPC may be credited to operation and maintenance, and/or 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 operation 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 fund account.

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CHAPTER 3

CONTRACTUAL CLAIMS

1.0 GENERAL

1.1 Purpose

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 regulatory authority, required documentation, and the responsibilities of the agencies involved.

1.2 Authoritative Guidance

[Title 31, United States Code \(U.S.C.\), section 3727](#) and Defense Federal Acquisition Regulation Supplement ([DFARS](#)) [232.8](#) provide statutory requirements concerning the assignment of claims, and [41 U.S.C. § 7101-7109](#) provide statutory requirements for contracts in dispute. The [Federal Acquisition Regulation \(FAR\) 32](#), Contract Financing, and [FAR 42](#), Contract Administration and Audit Services, govern claims for monies due, or to become due, under Government contracts. The [FAR 33](#), Protests, Disputes, and Appeals, provides statutory requirements for filing protests and for processing contract disputes and appeals. Specific criteria and required documentation for payment of valid claims are identified in these provisions and included in this chapter.

2.0 INTERNAL CONTROLS

Internal controls must be in place to ensure that duplicative or erroneous payments do not occur (for regulatory compliance, refer to Chapter 1). Managers with responsibilities for determining entitlements, authorizing or executing payments, and performing collections must perform periodic (minimum annual) risk assessments [in accordance with the Government Accountability Office's Standards for Internal Control](#) in the Federal Government and [Office of Management and Budget Circular No. A-123](#), Management's Responsibility for Enterprise Risk Management and Internal Control, to ensure that sufficient management control mechanisms are in place to ensure that DoD funds are spent appropriately, and in accordance with all applicable laws and regulations. Refer to Volume 4, Chapter 14 for additional guidance related to improper payments and related risk assessments.

3.0 RETENTION

The retention of payment documentation, both paper and electronic records, is the responsibility of the certifying officer. Electronic record storage requires adequate controls to ensure that integrity of the digital images accurately represents the corresponding paper documentation and detects changes to an original digital image. Refer to Volume 1, Chapter 9, Figure 9-1 for DoD financial records retention policy. [Title 44, U.S.C. § 2909](#) prescribes the

authority to retain records for a longer period than specified in the U.S. National Archives and Records Administration, [General Records Schedules](#).

4.0 ASSIGNMENT OF CLAIMS

4.1 Conditions for Assignment of Claims

The [FAR 32.8](#) prescribes requirements for the assignment of contractual 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.

4.1.1. The authorization to assign claims to banks, trust companies, or other financing institutions (including federal lending agencies) of monies due, or to become due, under Government contracts totaling \$1,000 or more is prescribed by [41 U.S.C. § 6305](#) and 31 U.S.C. § 3727, if not prohibited in the contract.

4.1.2. A contract may prohibit the assignment of claims if the agency determines the prohibition to be in the Government's interest prescribed by FAR 32.803(b).

4.1.3. When a contractor receives payment by the Government Purchase Card, the contractor may not assign their rights under the contract if the contract is for commercial products or commercial services and includes the [FAR 52.212-4](#).

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

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

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

4.1.5. If an agency pays for a party other than the assignee when a properly filed and approved assignment of claims is on record, it may result in Government liability to the assignee.

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

4.1.5.2. The agency must initiate collection against the payee for any erroneous payment.

4.1.6. Refer to DFARS 232.8 for additional guidance concerning the assignment of claims.

4.2 Actions Required for Assignment of Claims

4.2.1. As prescribed by DFARS 232.8 and FAR 32.805(b), the assignee will:

4.2.1.1. Forward to the Administrative Contracting Officer (ACO) a true copy of the instrument of assignment, which is a certified duplicate or photostat copy of the original, and an original and three copies of the notice of assignment;

4.2.1.2. Forward to the surety or sureties, if any, a true copy of the instrument of assignment, and an original, and three copies of the notice of assignment. The surety will return three acknowledged copies of the notice to the assignee, who will forward two copies to the disbursing officer of the payment office designated in the contract; and

4.2.1.3. Forward to the disbursing officer of the payment office cited in the contract a copy of the instrument of assignment and an original and copy of the notice of assignment.

4.2.2. The ACO will acknowledge receipt by signing and dating all copies of the notice of assignment and will:

4.2.2.1. File the true copy of the instrument of assignment and the original of the notice in the contract file;

4.2.2.2. Forward two copies of the notice to the disbursing officer of the payment office cited in the contract;

4.2.2.3. Return a copy of the notice to the assignee; and

4.2.2.4. Advise the contracting officer of the assignment.

4.2.3. If the ACO determines that the assignment is valid, the disbursing officer of the designated payment office must acknowledge the notice of assignment and take the required actions as follows:

4.2.3.1. Acknowledge and return a signed copy of the notice of assignment to the assignee and file the true copy of the instrument of assignment and the original notice of assignment;

4.2.3.2. Authorize payment to assignees only after receipt of the following assignment documents:

4.2.3.2.1. A copy of the notice of assignment acknowledged by the contracting officer;

4.2.3.2.2. A copy of the signed notice and a true copy of the instrument of assignment from the assignee; and

4.2.3.2.3. A copy of the notice acknowledged from the surety or sureties, if any, or a copy received from the surety or sureties via the assignee; and

4.2.3.3. Ensure the payment office designated in the contract is provided **with** a copy of the instrument of assignment and the signed notice of assignment.

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

4.2.5. Components and agencies must maintain procedures to ensure the appropriate payment office is provided **with** a copy of the instrument of assignment and the signed notice of assignment.

4.3 Letter Contracts

When entering into an assignment of claims under letter contracts, **as defined by [FAR 16.603](#)**, notices (with copies of assignments) are forwarded, by the assignee, to the contracting officer and the designated disbursing officer of the payment office cited in the contract.

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

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

4.4 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 designated payment office cannot determine whether an assignment of claims applies to an individual call or order under indefinite-delivery-type contracts, the designated payment office must withhold payments until the ACO determines the status and validity of the assignment. Refer to **[FAR 16.1](#)** for information concerning contract types.

4.5 Basic Ordering Agreements

Basic ordering agreements require a notice of assignment for each delivery order/supplemental procurement identification number. 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 (**[FAR 16.703\(a\)](#)**). The contracting officer must return the notice, and a copy of the assignment, to the assignee and advise that assignments

may be acknowledged on individual orders of \$1,000 or more. Consult the agency legal office for determination if there is any doubt [about](#) any of these types of contracts.

4.6 Special Considerations for Assignments of Claims

The following are special considerations:

4.6.1. Two assignments of the same contract cannot exist without a release from the first assignment (41 U.S.C. § 6305). An authorization of a second assignment may only occur upon releasing the first assignment and notifying the original parties. Refer to FAR 32.805 for further guidance;

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

4.6.3. The date of assignment cannot be before the date of the contract;

4.6.4. Except as authorized by 41 U.S.C. § 6305(b), the transfer of contracts, or any interest in the contract to another party, is prohibited (41 U.S.C. § 6305(a)); and

4.6.5. Payments to the assignee are not subject to reduction or setoff for an assignor's liability, unless departments/agencies decide it is in the Government's interest, or if the contracting officer makes a determination prescribed by [DFARS 232.803\(d\)](#).

4.7 Release of Assignment of Claims

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

4.7.1. 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 subparagraph 4.2.1.

4.7.2. The ACO:

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

4.7.2.2. Files the true copy of the instrument of the release of assignment and the original release notice with the contracting office's copy of the contract. ACO and surety's acknowledgment are required. Refer to FAR 32.805(e) for additional guidance; and

4.7.2.3. Signs, dates, and returns the release notices to the assignee.

4.7.3. The designated payment office makes remaining payments to the contractor once it receives the following release documents:

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

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

4.8 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 novation agreements 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 4.1102\(d\)](#)). Assignees must be registered separately in SAM to ensure the financial institution identified in the assignment meets the requirement for EFT.

5.0 NOVATION AND CHANGE OF NAME AGREEMENTS

5.1 Legal considerations

5.1.1. A novation agreement is a legal instrument executed by all of the following: the contractor (transferor), the successor in interest (transferee), and the U.S. Government. The transferor guarantees the performance of the contract, the transferee assumes all obligations under the contract, and the Government recognizes the transfer of the contract and related assets. Refer to [FAR 42.12](#) for additional information.

5.1.2. 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.

5.1.3. Title 41 U.S.C. § 6305 prohibits the transfer of Government contracts. However, as prescribed by FAR 42.1204(a), the Government may, when in its interest, recognize another 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:

5.1.3.1. Sale of the assets with a provision for assuming liabilities;

5.1.3.2. Transfer of the assets incident to a merger or corporate consolidation; or

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

5.2 Contractor and Contracting Officer Responsibilities

The contractor provides evidence to the contracting officer responsible for processing and executing novation and change of name agreements, as prescribed by FAR 42.1203(a-g).

5.2.1. The contracting officer enters into a bilateral modification to the contract, which changes the name of the contractor, as prescribed by FAR 42.1203(h).

5.2.2. Refer all questions regarding the novation and change of name agreements to the contracting officer.

5.3 Transfer of Contractual Obligation

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

5.3.1. A transferee assumes all the transferor's obligations under the contract, and the transferor waives all rights under the contract with the Government. Refer to the FAR 42.1204 for additional guidance.

5.3.2. 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.

6.0 CONTRACT DISPUTES

6.1 Contractor Claims

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.

6.1.1. [*The Armed Services Board of Contract Appeals*](#) is an independent tribunal that presides over disputes under the CDA of 1978, codified at 41 U.S.C. §§ 7101-7109, which allows Federal Government contractors to file a claim with the DoD for monetary damages, and other legal remedies related to their contractual dealings.

6.1.2. Routine submissions for payment are not considered 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\(a\)*](#).

6.1.3. All claims by contractors against the U.S. 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\(c\)*](#).

6.2 Claims Settlement and Final Judgement

The Bureau of the Fiscal Service administers and certifies payments from the Judgment Fund for the settlement and final judgment in a CDA case (Treasury Financial Manual, [Volume 1, Part 6, Chapter 3100](#), [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 by the activity accountable for the contract obligation as prescribed in [41 U.S.C. § 7108\(c\)](#).

6.3 Interest Penalties

Interest on amounts due the contractor, on claims under the CDA, are payable to the contractor from the date the contracting officer receives the claim, or the date payment would otherwise be due, whichever is later, to the date paid ([FAR 33.208\(a\)](#)). [Title 41 U.S.C. § 7109](#) provides the authority for the Secretary of the Treasury to establish the interest rate. Refer to the U.S. Department of the [Treasury's website](#) for applicable interest rates. Under the CDA, only simple interest is paid, as noted in FAR 33.208(b); compound interest (interest on interest) is not payable under the CDA.

6.4 Questionable and Fraudulent Claims

6.4.1. If any part of a claim is attributable to misrepresentation of fact or fraud on the part of the contractor, the contracting officer will refer the matter to the agency official responsible for investigating fraud in accordance with [FAR 33.209](#).

6.4.2. Fraudulent and questionable claims should not be paid. For additional information concerning fraudulent and questionable claims refer to Volume 5, Chapter 12.

VOLUME 10, CHAPTER 4: “MISCELLANEOUS ADVANCE PAYMENTS”**SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also 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 [April 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 4

MISCELLANEOUS ADVANCE PAYMENTS

1.0 GENERAL

1.1 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 DoD employees, other Federal Government agencies, or non-Federal entities before receipt of the items or services for which the payments were advanced.

1.2 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.

1.2.1. Miscellaneous advance payments in this chapter include many of those identified as exclusions in the Federal Acquisition Regulation ([FAR](#)) [32.4](#). Refer to Chapter 10 for the entitlement and payment of advances to contractors under contract financing arrangements governed by the FAR 32.4 and the Defense Federal Acquisition Regulation Supplement ([DFARS](#)), [232.4](#). Refer to Volume 4, Chapter 5 for the accounting and reporting of advances and prepayments for cash or other assets disbursed under a contract, grant, or cooperative agreement. Refer to Volume 11A, Chapters 3 and 18 for goods or services procured from other Federal agencies where the DoD is specifically authorized by a specific appropriation or law to advance funds.

1.2.2. 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](#)) [section 1315.9\(b\)\(1\)](#)). See Chapter 8, section 2.0 for additional policy concerning electronic invoicing and payment requirements.

1.2.3. All claimants that are subject to the U.S. Internal Revenue Service code must provide a Taxpayer Identification Number (TIN) in accordance with [31 U.S.C. § 3325\(d\)](#). Refer to Chapter 6, subparagraph 2.4.2 for contractor, vendor, or individual payee requirements to provide a valid TIN as part of a proper invoice prior to payment.

1.2.4. All advance payment requests must be submitted to the designated payment office 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.

1.2.5. Personnel may use electronic and digital signatures to approve and certify financial documents processed through automated information systems (Volume 5, Chapter 1, subparagraph 3.5.3).

1.2.6. All advance payments must be approved by a designated approving official, and a properly appointed certifying officer, prior to disbursement to ensure 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 the proposed payments are legal, proper, and correct (Volume 5, Chapter 5).

1.2.7. To ensure auditability, and to validate entitlement systems' payment records, a copy of all supporting documentation must accompany each advance payment request. Refer to Volume 1, Chapter 9, Figure 9-1 for financial records retention policy. Refer to [44 U.S.C. § 2909](#) for authorization to retain records for a longer period than specified in disposal schedules. Certifying officers are responsible for retention of all payment documentation (Volume 5, Chapter 5).

1.2.8. 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 advance payment (Volume 3, Chapter 8). Refer to [31 U.S.C. § 1501](#) for documentation required to record the obligation. Refer to [31 U.S.C. § 1502](#) and [31 U.S.C. § 1552](#), which establish limitations of periods available for expenditure.

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

1.2.10. Components must ensure controls are in place for the liquidation of advance payments and assign responsibility for the performance of follow-up action. Internal controls must ensure that validation and documentation exist showing that the items or services were received and met the organization's requirements. This effort is required before the advance payment can be liquidated. Discrepancies encountered must be resolved as soon as possible upon identification and may include the establishment and collection of debts from members, employees, or commercial, Federal, or state entities; see Volume 16 for more information on the collection of debts.

2.0 STATUTORY ADVANCE PAYMENTS

2.1 Overview

Specific legislation authorizes statutory advance payments.

2.2 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 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](#)).

2.3 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 1-year's (i.e., 12 months) subscription from the same FY appropriation.

2.4 Tuition

Tuition payments may be paid in advance. [Title 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.

2.4.1. 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, and the amount payable to the trainee for the purchase of books and fees for library and laboratory services. The SF 182 must be submitted to the entitlement office to support the advance payment and must be signed by an approving official and certifying officer prior to being paid.

2.4.2. Liquidation of the Advance Payment. As stated in subparagraph 1.2.10, certain controls must 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 previously paid in advance. In the event the student owes the DoD, the Component must collect any outstanding amount due, and prepare and forward a DoD [\(DD\) 1131](#), Cash Collection Voucher, to the designated disbursing office to complete liquidation of the advance payment.

2.5 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.

3.0 INTRA-GOVERNMENTAL ADVANCE PAYMENTS

3.1 Overview

3.1.1. 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 for reporting and accounting related to advances and prepayments. For those few exceptions where DoD is 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).

3.1.2. The [Treasury Financial Manual \(TFM\), Volume 1, Part 2, Chapter 4700, Appendix 8](#), provides policy and guidance on the use of the Intragovernmental Payment and Collection (IPAC) system by federal entities, including the DoD. IPAC is an internet-based collection and payment system used to transfer funds from one federal entity to another. An IPAC transaction can be initiated either manually through the IPAC application or through the completion of specific performance transactions in G-Invoicing. As G-Invoicing is developed and implemented, its use will be required by all federal entities. Fiscal Service will require federal entities to use G-Invoicing under the authority of [31 U.S.C. 3512\(b\)](#) and [31 U.S.C. 3513](#). Components must establish follow-up actions and controls to ensure receipt and acceptance for the items/services to liquidate the advance payment as prescribed by Treasury Interagency Agreement Guide and subparagraph 1.2.10.

3.2 Leased Office Space

The [Federal Management Regulation, Subtitle 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 ([40 U.S.C. § 585](#)).

3.3 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 requesting agency must process

the advance payments using IPAC to establish GPO 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). For a listing of GPO forms, refer to the [GPO Forms and Standards](#) website to place orders or download a Portable Document Format file.

3.4 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.

3.5 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 (Government Accountability Office Comptroller General, B-57828, JUNE 5, 1946, 25 COMP. [GEN. 834](#).) 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 FY 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:

3.5.1. The Bureau of the Fiscal Service (Fiscal Service) IPAC payment process associated with the Official Mail Accounting System;

3.5.2. The USPS Centralized Account Processing System associated with commercial payments;

3.5.3. Another Fiscal Service approved means of paying the USPS; or

3.5.4. Payments made to service providers other than USPS must be made by Fiscal Service payment methods such as automated clearing house electronic funds transfer, or another Fiscal Service approved means of paying the vendor.

4.0 OTHER ADVANCE PAYMENTS

4.1 Overview

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

4.2 Attendance at Meetings and Conferences

4.2.1. 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 Version 4.0](#) for the administration and oversight of all conferences, including those conferences hosted by the DoD, and those attended by DoD personnel.

4.2.2. 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's 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 Joint Travel Regulations [Uniformed Service Members and DoD Civilian Employees, Chapter 3, Part B](#). Documentation supporting the approval must accompany the request for advance payment (SF 182 or electronic equivalent). The request for advance payment must be approved by a management official prior to submission to the certifying officer.

4.2.3. 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, 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. Policy for salary offset to collect debts owed to DoD by military members or civilian employees is in Volume 16, Chapter 3.

4.3 Payments to State and Local Governments

Advance payments to state and local governments for goods and services are authorized on the basis that the established responsibility of these governmental units reduces the possibility of a loss to the Federal Government. [FAR 32.409-3\(e\)](#) states that in an advance payment agreement to a state or local government, the contracting officer may omit the requirement for deposit of the advances in a special account, if the approving official determines that other adequate security exists to protect the Government's interest.

4.4 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 22.1 - 22.7](#)). Title 22, CFR 22.3 prescribes remittances in the United States and 22 CFR 22.5 prescribes remittances to Foreign Service posts.

4.5 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. Appropriated funds expended for

membership must be to acquire services that will benefit the Component, not an individual. The head of an agency or designee must make the determination of the membership requirement. The individual employee must provide verification of membership to validate the advance payment.

4.6 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 27](#) and [DFARS 227](#) prescribe 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. § 3793](#)).

4.7 Utility Connection Charges

As prescribed by [FAR 41.1](#), [FAR 41.2](#), and [FAR 52.241-9](#), 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 U.S. 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 U.S. Government recovers the connection charges through reimbursements by a specified monthly refund or a credit on the service billings for utility charges.

4.8 Foreign Country-Related Requirements

4.8.1. Postage. Components may authorize the purchase of foreign postage stamps for contingency or classified operations from imprest funds or by an SF 1034. See Volume 5, Chapter 2 and [FAR 13.305](#) for additional guidance on imprest funds. When using an SF 1034, the originating office prepares the voucher, which requires the approval by the appropriate approving official and certifying officer, 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 proof of purchase or sales receipt is necessary as the check endorsement acknowledges payment.

4.8.2. 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.

VOLUME 10, CHAPTER 06: “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 [August 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 6

FEDERAL, STATE, LOCAL, AND FOREIGN TAXES

1.0 GENERAL

1.1 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 apply to certain contract, vendor, and miscellaneous payments (including miscellaneous payments made to military and civilian employees). [Volume 13, Chapter 7](#) covers tax-related policy and requirements involving Nonappropriated Fund Instrumentalities.

1.2 Authoritative Guidance

1.2.1. 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 \(FAR\) 29](#) identifies the general tax applications on 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.

1.2.2. Exemptions from Certain Federal Taxes

1.2.2.1 [FAR 29.203\(a\)](#) provides that, pursuant 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 United States. 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.

1.2.2.2 [FAR 29.203\(b\)](#) provides that, 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.

1.2.2.3. [FAR 29.202](#) identifies other circumstances in which Federal manufacturers' or special-fuels excise taxes may not be imposed. [The contracting officer should recognize these](#) contracting situations and then must furnish the seller an exemption certificate.

1.2.3. Policy Hierarchy. Internal Revenue Service (IRS)-published regulations take precedence over DoD policy for the resolution of tax-related issues. Components should consult with their designated legal counsel if **they have** legal questions or apparent conflicts between the policy provided in this chapter and the IRS regulations.

2.0 RESPONSIBILITIES

2.1 Defense Logistics Agency-Energy (DLA-Energy)

DLA-Energy is responsible for:

2.1.1. 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; and

2.1.2. Contracting for fuels, to include the use of the proper clauses concerning local tax provisions as provided in [FAR 29.4](#).

2.2 Military Departments and Defense Agencies

DoD Components are required to take maximum advantage of exemptions from excise taxes.

2.3 Contracting Officer

As outlined in FAR 29, the contracting officer is responsible for:

2.3.1. Inserting the appropriate tax clauses in contracts;

2.3.2. 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;

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

2.3.4. Working with fleet card issuers to maximize excise tax reclamations (recoupment);

2.3.5. Ensuring that contractors are aware of and understand duty-free entry clause requirements; and

2.3.6. Resolving tax liability or tax exemption disputes associated with DoD contracts.

2.4 Contractors, Vendors, and Individual Payees

2.4.1. In accordance with [FAR 29.304](#), a DoD Component may require contractors, vendors, and individual payees requesting payment 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.

2.4.2. [Title 31, U.S.C. § 7701\(c\)](#) and [FAR 4.902](#) require, subject to the U.S. Internal Revenue Code (IRC), all payees doing business with the DoD to furnish their Taxpayer Identification Number (TIN) as defined by [26 U.S.C. § 6109](#) (which may be a Social Security Number (SSN), Individual TIN, or Employee Identification Number). Payments are not to be authorized without a TIN or SSN on record for the required payee, except as described in paragraph 6.5.

2.4.3. If the contractor, or another payee, believes someone improperly issued their [IRS Form 1099-MISC](#), Miscellaneous Information, [IRS Form 1099-INT](#), Interest Income, [IRS Form 1099-NEC](#), Nonemployee Compensation, or [IRS Form 1099-C](#), Cancellation of Debt, or that it had incorrect information, they must provide written evidence for a correction to the appropriate tax office.

2.5 Fleet Card Issuer

The Fleet Card issuer (third-party payor) is responsible for working with DLA-Energy and the Defense Finance and Accounting Service (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 [General Services Administration \(GSA\) SmartPay](#) website for additional Fleet Card tax information.

2.6 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 and U.S. Army Corps of Engineers, where responsibility has otherwise been assigned), DFAS is responsible for:

2.6.1. Computing all appropriate tax withholdings, making deposits to the U.S. Department of the Treasury (Treasury), and filing the appropriate tax documents with the IRS;

2.6.2. Paying excise taxes as appropriate;

2.6.3. 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;

2.6.4. Recording any taxes recovered in the applicable accounting systems;

2.6.5. Reviewing payment information to determine if a payment is reportable under current IRS guidelines; and

2.6.6. **When DFAS serves as the disbursing office for entitlement or ERP systems it does not own**, DFAS is responsible for:

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

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

2.7 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 **settlement payment type(s)** (e.g., compensatory damages, attorney fees, back pay, or interest), **and** 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 must also provide the information required to properly report payments to attorneys under **26 U.S.C. § 6045(f)**, separate from the claims settlement payment.

2.8 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 **third-party payors make** the covered payments.

2.9 Convenience Check Account Holder

2.9.1. The convenience check account holder is responsible for tax reporting for the convenience checks they issue and for obtaining a signed **IRS Form W-9**, Request for Taxpayer Identification Number and Certification. Refer to IRS instructions for Form 1099-MISC and 1099-NEC for more detail regarding payment types that are not reportable to DFAS. As the checks are written, the account holder must capture the following check recipient data:

2.9.1.1. Payee's legal name (merchant, vendor, or individual name by which taxes are filed);

2.9.1.2 **Payee's business name**. If the business is classified as a sole proprietorship, then report the business (merchant) information and provide the sole proprietor's name;

- 2.9.1.3. Payee's legal mailing address (the address used to file their taxes);
- 2.9.1.4. Employer Tax Identification Number (SSN or TIN);
- 2.9.1.5. Check number;
- 2.9.1.6. Check amount;
- 2.9.1.7. Payment date (date the check is written, not the date the check is cashed);
- 2.9.1.8. A brief description of the purchase;
- 2.9.1.9. Telephone number and/or email address of the merchant; and
- 2.9.1.10. Convenience check account number.

2.9.2. DFAS has tax reporting responsibilities for certain agencies within the DoD, and thus is responsible for reporting to the IRS miscellaneous and non-employee income paid to vendors/contractors. DFAS coordinates with the GSA Smartpay contract designated bank and the account holder to obtain information to issue tax forms and report to the IRS. Additional policy concerning the use of convenience checks is contained in Chapter 23.

2.9.3. The convenience check account holder is responsible for all backup withholding actions required based on the receipt of an IRS CP2100 notice (See [IRS website](#) – Backup withholding “B” program). Also see paragraph 6.5 for additional information regarding backup withholding.

3.0 FEDERAL EXCISE TAX (FET)

3.1 Requirements

Except for exemptions provided by the IRC as set out in FAR 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.

3.2 Exemptions

Tax exemptions or refunds are available for DoD purchases of aviation fuel and off-highway use of gasoline and road diesel fuels. Whether an exemption is available, or **if** 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. See [IRS Publication \(Pub\) 510](#) for additional IRS guidance.

3.3 Refunds

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

3.4 Quarterly FET Return

3.4.1. Unless the IRS District Director [otherwise notifies](#) the accounting office responsible for reporting DLA-Energy activity, [that office](#) must prepare and submit quarterly FET returns. DLA-Energy must submit a monthly report to DFAS containing the sales to taxable customers. [Make a return 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 must be marked “FINAL” and are applicable only when no FET is owed and reportable in future quarters. See IRS Pub 510 for additional IRS guidance.

3.4.2. 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.

3.4.3. The accounting office is responsible for preparing IRS Form 720. Instructions for preparing this form are in [IRS Instructions for Form 720](#).

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

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

3.5 Collections for FET

3.5.1. Collections for FET are made to deposit fund accounts. [Transfer](#) excise taxes collected 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 Treasury.

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

4.0 STATE AND LOCAL TAXES

4.1 State and Local Taxes

4.1.1. In accordance with [FAR 29.302\(b\)](#), DoD Components must assert the Government’s immunity or exemption from taxes whenever it is available, and 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 1094](#), United States 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. Paying state and local taxes is supported under the following conditions:

4.1.1.1. 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; or

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

4.1.2. 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.

4.2 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.

4.3 Leases and Purchases

In accordance with FAR 29.302(a), 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 29.4 references the different contract clauses concerning state and local taxes that may be included in contracts on leases and rentals.

5.0 CUSTOMS DUTIES

5.1 U.S. Customs Duties on Foreign Purchases

5.1.1. Duty-Free Purchases. The DoD Components can make emergency purchases of war materials abroad. This material will be admitted free of duty. The [contract and actions of the contractor and contracting officer govern](#) applicability of customs duties in accordance with [FAR 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 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.

5.1.2. 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. [Customs and Border Protection's classification of imports will generate the amount due](#). Prepare payment vouchers to show the payment amount, annotated with 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.

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

5.2.1. Exemptions. The [Canadian](#) Government [exempts](#) imports and purchases from other countries from Canadian import duties and taxes when [they are](#) used for joint defense projects in Canada.

5.2.2. Refund or Remission of Taxes. [Concessions govern](#) goods purchased in Canada by or for the United States, or by the Canadian Commercial Corporation, 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 Defence Production and Development Sharing Remission Order [Consolidated Regulations of Canada, c. 755](#). The concessions permit refund or remission in certain circumstances, including:

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

5.2.2.2. 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; and

5.2.2.3. Customs duties 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.

6.0 MISCELLANEOUS

6.1 Payments in Lieu of Taxes

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

6.1.1. [The DoD is exempt from charges imposed](#) by state or local governments for services that are essentially funded by tax revenues and not specifically applied to residents or other tax-exempt entities. Such charges are considered taxes, from which the Federal Government and its contractors are constitutionally immune.

6.1.2. 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.

6.1.3. [Only Congress may authorize](#) payments in lieu of taxes to municipalities that have lost tax revenue due to the transfer of plants to Government Components. 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.

6.2 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. [Consult](#) the Component’s legal counsel regarding the applicability of these agreements to their individual circumstances. [FAR 29.402](#) provides specific clauses pertaining to foreign taxes that may be in contracts.

6.3 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.

6.4 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. [Consult the](#) Component’s legal counsel to determine whether payment should be made.

6.5 Backup Withholding

6.5.1. In most instances, pursuant to [31 U.S.C. § 3325](#), DoD may not make a payment without a valid TIN. If payment is appropriate without a TIN and a signed IRS Form W-9, 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 W-9, the backup withholding requirements, as described in [26 U.S.C. § 3406](#), apply. Because of the TIN requirement imposed by 31 U.S.C. § 3325, backup withholding within DoD should be extremely rare.

6.5.2. Backup withholding requirements are separate from the reporting thresholds that apply to most IRS Form 1099 reporting. Backup withholding is applied to the principal payment only, to exclude such charges as transportation charges or interest. Payments that are not subject to reporting on the IRS Form 1099, as set forth in subparagraph 7.3.2, are not subject to backup withholding.

6.5.3. The paying office will deposit the backup withholding with the IRS. The paying office will generate an [IRS Form 945](#), Annual Return of Withheld Federal Income Tax, for the IRS. Additional guidance is available in [IRS Instructions for Form 945](#), [IRS Pub 15, \(Circular E\)](#), “Employer’s Tax Guide,” and [IRS Pub 1281](#), “Backup Withholding for Missing and Incorrect Name/TIN(s).”

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

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

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

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

7.0 FEDERAL TAX REPORTING

7.1 Taxable Payments

7.1.1. At the end of each calendar year, payment or entitlement offices **must** report certain payments to the IRS. [26 U.S.C. § 6041](#), [26 U.S.C. § 6041A](#), 26 U.S.C. § 6045(f), [FAR 4.904](#), and current IRS instructions/guidelines **establish the reporting requirements**. Payment or entitlement offices **must** provide the recipients (payees) with an IRS Form 1099 by the date the IRS **specifies** (See [IRS reporting due dates](#)).

7.1.2. There are various payments made to military members and civilian employees that are subject to IRS **reporting on the [IRS Form W-2](#)**, Wage and Tax Statement (e.g., military award payments). Some of these payment types may require tax withholding and will **also** be reported on the IRS Form W-2. The appropriate system **must make these payments** for accurate withholdings to be applied and reported on the annual IRS Form W-2 by the date the IRS **specifies** (see IRS reporting due dates). 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 **must** report these payments via [IRS Form W-2](#) according to current Social Security Administration/IRS guidelines.

7.2 Tax Reporting

7.2.1. Each DoD Component **must prepare** an IRS Form 1099 on its contract or vendor payments for applicable services (specified in paragraph 7.3) 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 requires **correction**, 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 issued or had incorrect information, then the recipient must provide the written evidence needed for correction.

7.2.2. 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.

7.2.3. IRS Form 1099-MISC is not required for purchase cards and centrally-billed travel paid for using a government credit card.

7.2.4. DFAS will not **determine** 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 Employment 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.

7.3 IRS Form 1099 Information Reporting

7.3.1. **Payments Subject to Reporting.** **IRS regulations/guidelines subject** certain contract and vendor payments to IRS Form 1099 reporting.

7.3.1.1. **General Rule.** Payments are aggregated for the taxable year for:

7.3.1.1.1. Business entities: Sole proprietors, partnerships, and corporations, with some exceptions;

7.3.1.1.2. Corporations providing medical and health-care services that are not otherwise exempt from taxation under **26 U.S.C. § 501(a)**;

7.3.1.1.3. Canceled debts; and

7.3.1.1.4. Interest to individuals, sole proprietors, and partnerships (including **Title 5, Code of Federal Regulation (CFR), Part 1315**, Prompt Payment). Corporations are exempt from interest reporting.

7.3.1.2. 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 is to an employee and 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 United States. This reporting rule also applies to payments issued to U.S. corporations, paid in U.S. dollars, for service contracts executed in foreign countries.

7.3.1.3. Payments for Taxable Settlements

7.3.1.3.1. 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.

7.3.1.3.2. 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, but which are not attributable to a specific physical injury or physical sickness, are reportable.

7.3.1.3.3. **When paying a** complainant back pay, and the claim originated with a DoD activity whose civilians DFAS **pays, forward** the claim to a civilian pay office for payment and issuance of an IRS Form W-2. DoD activities must forward **all claims** representing back pay to their supporting payroll office.

7.3.1.3.4. 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 they meet one of the specific categories that are nontaxable.

7.3.1.4. 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 provider of legal services, such as a corporation. This reporting requirement applies, regardless of whether legal services are provided to the Government, and if the attorney is the sole payee. In the case of payment by check, payment is 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 Form 1099s on a single payment may

occur. In this case, issue an IRS Form 1099 to the complainant and another IRS Form 1099 to the attorney. The office forwarding the claim for payment **must provide information** including, but not limited to: payee name(s), payee TIN, amount paid, payee address(es), and settling activity identification.

7.3.1.5. Vendors in U.S. Territories. **IRS information reporting applies to** service payments to vendors located in Puerto Rico, Guam, American Samoa, Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands.

7.3.2. Payments Not Subject to Reporting. The **IRS does not subject the** following classes of contract and vendor payments to IRS Form 1099 reporting:

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

7.3.2.2. Payments subject to reporting on an IRS Form W-2 related to compensation paid to DoD employees or **Service Members**;

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

7.3.2.4. Payments to Government employees as an allowance or reimbursement for traveling or associated expenses, including claims for damaged household goods;

7.3.2.5. Payments made as an award to an informer or similar payments;

7.3.2.6. Payments made to a Government agency, political subdivision, or instrumentality thereof; and

7.3.2.7. Payments to organizations that are exempt from taxation under 26 U.S.C. § 501 (a).

7.4 Debt Actions Subject to IRS Form 1099-C

7.4.1. Federal agencies **must** report the cancellation of each debt to an individual, sole proprietor, partnership, or corporation. Debts forgiven via a waiver or remission are not issued an IRS Form 1099-C. 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 Form 1099-C, then it must be listed separately on the form. A debt is considered canceled on the date that the authorized individual approves the termination of the debt-collection process.

7.4.2. **Report debt** cancellation 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 the date specified by the IRS. 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.

7.5 Payments to Individuals Subject to IRS Form W-2 Reporting

7.5.1. 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.

7.5.2. Cash Awards to Military Members

7.5.2.1. Cash awards to military members for disclosures, suggestions, inventions, and scientific achievements are subject to the withholding of Federal and state income taxes, as cited in Chapter 12 [subparagraph 2.14.3](#) and Volume 7A, Chapter 44, paragraph 2.1. In accordance with Volume 7A, Chapter 45, paragraph 2.2, cash awards are not subject to Federal Insurance Contributions Act (Old Age, Survivors, and Disability Insurance/Medicare) withholding. 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.

7.5.2.2. For purposes of issuing an IRS [Form W-2](#), DFAS will withhold taxes and will issue an IRS Form W-2 by the date the IRS [specifies](#) (see IRS reporting due dates [and](#) [subparagraph 7.1.2](#) for additional information).

7.6 Filing Information Returns With the IRS

7.6.1. Filing Requirements

7.6.1.1. Forms Required

7.6.1.1.1. When filing manual (paper) IRS Form 1099s, [use IRS Form 1096](#), Annual Summary and Transmittal of U.S. Information Returns, to transmit and summarize payment information. It serves as a cover sheet for one or more individual reports.

7.6.1.1.2. [Complete a](#) separate IRS Form 1099 for each entity concerned, and all are covered by one IRS Form 1096. IRS Form 1099s are obtained through the IRS Forms, Instructions and Pubs website.

7.6.1.2. Distribution of Report. The IRS Form 1096 is to be filed using the address listed on the form, and the IRS Form 1099 is to be filed according to [IRS Pub 1220](#), “Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G.”

7.6.1.3. Electronic Filing. [Updated](#) electronic filing procedures are published annually in IRS Pub 1220.

7.6.2. Records Retention

7.6.2.1. 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 must 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.

7.6.2.2. Documentation supporting tax-related financial transactions reported in the Component's financial statements needs 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.

8.0 TAX ON CERTAIN FOREIGN PROCUREMENT PAYMENTS

8.1 [Applicability](#)

In accordance with [Title 26 U.S.C. § 5000C](#) and implementing regulations such as [FAR 29.402-3](#), a 2% tax will apply to certain foreign procurement payments, unless one of the exemptions in paragraph 8.3 applies. The inclusion of [FAR 52.229-12](#) in the contract identifies the tax, effective with contracts issued after June 5, 2020 (date of FAR final rule), and requires paying agents to withhold up to 2% of applicable payments.

8.2 Background

Section 301 of the James Zadroga 9/11 Health and Compensation Act of 2010 ([Public Law 111-347](#)), added section 5000C to the IRC. Title 26 U.S.C. § 5000C, and its implementing regulations at [26 CFR 1.5000C1 through 1.5000C7](#), impose, unless exempted, a 2% excise tax on the amount of a specified Federal procurement payment on any foreign person receiving such payment. Title 26 CFR 1.5000C-1(c) defines the term "specified Federal procurement payment" as any payment made pursuant to a contract with the U.S. Government for goods or services if the goods are manufactured or produced, or the services are provided, in any country that is not a party to an international procurement agreement with the United States.

8.3 Exemptions

Exemptions from the tax may be identified at various stages of the procurement or payment process.

8.3.1. [Exemptions Identified Prior to Contract Solicitation](#). In accordance with FAR 29.402-3, a contracting officer will include the solicitation provision [FAR 52.229-11](#), unless one of the following exceptions applies:

8.3.1.1. Acquisitions using simplified acquisition procedures that do not exceed the simplified acquisition threshold (as defined in [FAR 2.101](#));

8.3.1.2. Emergency acquisitions using the emergency acquisition flexibilities defined in [FAR 18](#);

8.3.1.3. Acquisitions using the unusual and compelling urgency authority per [FAR 6.302-2](#);

8.3.1.4. Contracts with a single individual for personal services that will not exceed the simplified acquisition threshold on an annual calendar year basis for all years of the contract; or

8.3.1.5. Acquisitions if the requiring activity identifies that the requirement is for certain foreign humanitarian assistance contracts.

If one or more exceptions exists, the contracting office will not include the FAR provision in 52.229-11 and clause 52.229-12 in the solicitation and contract, and the [tax withholding will not apply to the](#) resulting contractual payments.

8.3.2. Exemptions Identified by the Vendor during Contract Proposal or Invoicing. FAR provision 52.229-11 requires the bidder/offeror to identify whether they are a foreign person/entity. The provision also requires that, if the bidder/offeror is a foreign person/entity, to identify whether they are claiming a full exemption, partial exemption, or no exemption from the tax by submitting an [IRS Form W-14](#), Certificate of Foreign Contracting Party Receiving Federal Procurement Payments.

8.3.2.1 If the vendor claims a full exemption in their offer, they are not required to submit an IRS Form W-14 with each invoice, and the paying agent [will not withhold](#) the 2% excise tax. Per FAR clause 52.229-12, if circumstances change during the performance of the contract and the full exemption no longer applies, the vendor is required to notify the contracting officer and begin submitting an IRS Form W-14 with each invoice.

8.3.2.2. If the vendor only claims a partial exemption, or no exemption, from the tax with their offer, then [FAR clause 52.229-12 requires](#) the vendor to submit an IRS Form W-14 with each invoice, indicating the amount or percentage of the invoice that is exempt from the tax. The excise tax withholding is applied at the payment level, not at the contract level. The vendor must revise each IRS Form W-14 submission to reflect the exemption (if any) that applies to that particular invoice.

8.3.2.3. If the vendor has only claimed a partial exemption, or no exemption, in their offer, and [does not submit an IRS](#) Form W-14 and invoice, the default withholding percentage is 2% for that payment request.

8.4 Withholding Requirements

8.4.1. Unless the vendor has claimed a full exemption as part of their bid/offer, paying agents will withhold the tax from invoices received based on the information provided by the vendor on the IRS Form W-14 accompanying each invoice. This will typically be 2% of the

invoice amount unless the vendor has claimed a partial exemption on the W-14 (e.g., only a portion of the goods were manufactured, or services provided, in a country that has an international procurement agreement or tax treaty with the United States).

8.4.2. Per FAR clause 52.229-12(d), the Government will withhold a full 2% of each payment unless the vendor claims an exemption. If the vendor enters a ratio in line 12 of the IRS Form W-14, the result of line 11 divided by line 10, the Government will withhold from each payment an amount equal to 2% multiplied by the contract ratio. If the vendor marks box 9 of the IRS Form W-14 (rather than completing lines 10 through 12), the vendor must identify and enter the specific exempt and nonexempt amounts in Line 15 of the IRS Form W-14. The Government will then withhold 2% only from the nonexempt amount.

8.4.3. If the vendor has not claimed a full exemption during their offer, and **does not provide** an IRS Form W-14 with an invoice, the default withholding will be 2% of the invoice amount.

8.5 Responsibilities

8.5.1. Contracting Officer. The contracting officer **must** identify to the paying agent whether the contractual payments are subject to the 2% Foreign Excise Tax **by including** the appropriate FAR provisions and clauses (52.229-11 and 52.229-12), as well as identifying in the contract whether the vendor has claimed a full exemption in **the** original offer/proposal.

8.5.2. Vendor/Payee. The vendor/payee is responsible for submitting an IRS Form W-14 with each payment request if they have identified in their proposal that: 1) they are a foreign person/entity, and 2) they have not claimed a full exemption from the tax in their original offer/bid.

8.5.3. Paying Agent. The paying agent is responsible for the following:

8.5.3.1. Withholding the 2% Foreign Excise Tax in accordance with the IRS Form W-14 that the vendor/payee submits with each payment request;

8.5.3.2. Filing the appropriate reports as identified in paragraph 8.9 to report tax withholdings to the IRS, and;

8.5.3.3. Submitting the withheld funds to the IRS as prescribed in paragraph 8.9.

8.5.4. Acquiring Agency/Paying Agent. Every effort must be made by the acquiring agency and paying agent to identify, withhold, and report applicable tax withholdings to the IRS. However, per IRS guidance, if the acquiring agency fails to withhold the tax, then the foreign contracting party must file a U.S. income tax return and pay the tax due. The acquiring agency, or the paying agent, is not liable for any tax not withheld (see the [U.S. Government Reporting](#) section on the IRS webpage).

8.6 Disputes

In accordance with FAR provision 52.229-11(c), [the IRS adjudicates](#) any dispute regarding the imposition and collection of the 26 U.S.C. § 5000C tax [because it](#) is a tax matter [and](#) not a contract issue. If a vendor disputes a withholding of the 2% Foreign Excise Tax, [refer](#) the vendor to the IRS to address the matter.

8.7 Refunds for Over-withholdings

8.7.1. [The paying agent may not refund](#) over-withholdings claimed by a vendor. In accordance with 26 CFR 1.5000C-2(e), if the foreign contracting party (payee) discovers that amounts withheld on prior payments [exceeded](#) the amount required to satisfy its tax liability under section 5000C, the foreign contracting party may request the acquiring agency to decrease the amount of withholding on future payments for which withholding is required under section 5000C. The request must be in writing, signed under penalties of perjury, contain the amount by which the foreign contracting party requests to increase or decrease future amounts withheld under section 5000C, and explain the reason for the request.

8.7.2. Upon [written](#) request, acquiring agencies may decrease the amount of withholding on subsequent payments made to the foreign contracting party that are otherwise subject to withholding under section 5000C, provided that the payment for which the decrease is applied is made on or before the end of the applicable tax year, with respect to the payment for which the over-withholding occurred.

8.8 Payments on Classified Contracts

8.8.1. Payments against classified contracts are [subject to](#) the withholding of the 2% Excise Tax. However, an acquiring agency/paying agent must determine if the reporting of such tax/withholdings against classified contracts will compromise national security. If so, the reporting of such information may be scaled back or eliminated.

8.8.2. In accordance with 26 CFR 1.5000C-3(c)(2), an acquiring agency is not required to report information otherwise required by 26 CFR 1.5000C on [IRS Form 1042-S](#), Foreign Person's U.S. Source Income Subject to Withholding, for payments made pursuant to classified or confidential contracts, unless the acquiring agency determines that the information reported on the [IRS Form 1042-S](#) does not compromise the safeguarding of classified information or national security.

8.9 Reporting/Submission of Withheld Funding to IRS

The paying agent/office is responsible for filing the following reports and submitting withheld taxes to the IRS.

8.9.1. Reporting

8.9.1.1. [IRS Form 1042](#), Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, is an annual form used to report all/aggregate funds withheld by an acquiring agency. This form must be filed annually by March 15 of the year following payment.

8.9.1.2. IRS Form 1042-S is an annual form, broken down and submitted for each vendor/payee for which tax withholdings have occurred. The form is not required to be prepared/submitted with each deposit made to the IRS because the IRS' [Electronic Federal Tax Payment System](#) has a field for remitters to identify what/who the deposit pertains to.

8.9.1.3. [Filing the IRS Form 1042-S](#) is only required if withholdings have occurred. If no withholdings have occurred for a particular vendor/payee, regardless of the reason, then no [IRS Form 1042-S](#) is required. The reporting requirement ties directly to actual withholding that has occurred.

8.9.1.4. The Gross Income Subject to Withholding to be included on the [IRS Form 1042-S](#) is the total of the invoiced amounts which are subject to the tax (it excludes the portions of billings that are exempted based on the vendor's [IRS Form W-14](#)). As an example, if the vendor submits an invoice for \$500,000, and their attached [IRS Form W-14](#) shows that 50% of the services are exempt because they were provided in a country that has an international tax treaty with the United States, then only 50% of the invoice (\$250,000) would be taxed at the 2% rate. Thus, the \$250,000 would be reported on the vendor's [IRS Form 1042-S](#) at the end of the tax year as Gross Income Subject to Withholding (along with any other taxed invoices the vendor had throughout the year), and \$5,000 ($\$250,000 \times 2\%$) would be withheld from the payment and be reported as Taxes Withheld (along with any other taxes withheld for the vendor throughout the year).

8.9.2. Filing/Submission of Withheld Funds to IRS

8.9.2.1. Funds withheld by paying agents must be submitted/deposited to the IRS via the Electronic Federal Tax Payment System in the timeframes required by 26 CFR 1.5000C-3(b).

8.9.2.2. The frequency of depositing withheld amounts depends on whether the paying agency has other [26 U.S.C., Chapter 3](#), withholding and depositing requirements.

8.9.2.3. If the paying agent does not have any other 26 U.S.C., Chapter 3 withholdings, they will make deposits of the 2% tax withholdings [monthly](#) by the 15th of the following month.

8.9.2.4. If the paying agent has other 26 U.S.C., Chapter 3 withholdings, the frequency will depend on the amounts of withholdings that need deposited (weekly, bi-weekly, or monthly).

8.10 Document Retention

The paying agent withholding applicable taxes will retain all documentation supporting the contract payments, and all tax-related information supporting withholdings, in accordance with Volume 1, Chapter 9, Figure 9-1. This includes any documentation supporting the determination of whether to withhold, how much to withhold, and what was actually withheld, such as contracts, invoices, receiving reports, payment/Electronic Funds Transfer information, and the vendor's IRS Forms W-14, 1042, 1042-S, and W-9.

VOLUME 10, CHAPTER 7: “PROMPT PAYMENT ACT”**SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also 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 [November 2022](#) 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 7

PROMPT PAYMENT ACT

1.0 GENERAL

1.1 Purpose

This chapter prescribes the financial management policy for payments to vendors and contractors and primarily focuses on timely payment, determination of appropriate due dates, penalty for late payment, required documentation, receipt dates, acceptance dates, and payment discounts. Paragraph 2.2 lists exemptions to this policy.

1.2 Authoritative Guidance

The policies prescribed throughout this chapter pertaining to prompt payment are based primarily upon the Prompt Payment Act (PPA), [Title 31, United States Code \(U.S.C.\), Chapter 39](#), as implemented under [Title 5, Code of Federal Regulations \(CFR\), part 1315](#). Acquisition policy implementing the PPA provisions at 5 CFR 1315 is in the Federal Acquisition Regulation ([FAR](#)) [32.9](#), and the Defense Federal Acquisition Regulation Supplement ([DFARS](#)) [232.9](#). The Office of Management and Budget ([OMB](#)) [Circular A-130, Appendix II](#), prescribes the use of electronic processes and digital signatures whenever it is possible and in the best interest of the Government. Policies pertaining to timely payment have been revised by the National Defense Authorization Act ([NDAA](#)) [Fiscal Year \(FY\) 2022 Section 814](#) and ([NDAA](#)) [Fiscal Year \(FY\) 2021 Section 815](#), as presented in subparagraphs 2.6.3 and 2.6.4.

2.0 PROMPT PAYMENT ACT POLICY

2.1 Application

The payment terms ordinarily imposed by contract, or the PPA and its implementing regulations, may be replaced by the payment terms imposed by another governmental authority. For the purposes of this chapter, days refer to calendar days unless stated differently. The PPA applies to the following, unless these payments meet one of the exemptions in paragraph 2.2:

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

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

2.1.3. [Utility Payments](#). All utility payments, including payments for telephone service, are subject to the PPA. Where state, local, or foreign authorities impose generally applicable late

payment rates for utility payments, those rates must take precedence, and thus, PPA interest rates will not apply.

2.2 Exemptions

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

2.2.1.1. Payments directed by military authority exercised in the field in time of war or in occupied territory as stated in [5 U.S.C. § 551\(1\)\(G\)](#); and

2.2.1.2. Contract financing payments, as defined in [5 CFR 1315.2\(h\)](#).

2.2.2. In accordance with 5 CFR 1315.1(b)(2), the following payments are exempt from the PPA:

2.2.2.1. Payments related to declared states of emergency directing any federal agency to utilize its resources in support of federal, state, and local disaster assistance efforts, as defined in the [Robert T. Stafford Disaster Relief and Emergency Assistance Act](#);

2.2.2.2. Payments related to the release, or threatened release, of hazardous substances, as defined in [42 U.S.C. § 9601](#); and

2.2.2.3. Certain payments related to military contingency operations, as defined in [10 U.S.C. § 101\(a\)\(13\)](#).

2.2.3. DFARS 232.901 defines conditions where emergencies or contingency operations affecting normal business processes will dictate a determination to exempt payments from FAR 32.9 requirements. 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 proper certification.

2.3 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. Subparagraphs 2.3.1 and 2.3.2 identify unique circumstances when an invoice and/or receipt/acceptance report may not be required. Acquisition policy in [DFARS 232.70](#) prescribes DoD policies and procedures for submitting and processing payment requests and receiving reports in electronic form. It also specifies exceptions and prescribes Wide Area Workflow 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. Ensure payment

documentation is retained in accordance with Volume 1, Chapter 9 and is readily available to support future audit efforts. Original payment documentation, and associated supporting documentation, must also be retained in accordance with Chapter 8, paragraph 4.1.

2.3.1. 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 that affect payment processing, the entitlement office must notify the contracting office to request corrective action. The payment office must not change contract terms. Contract terms may only be changed through a formal modification to the contract.

2.3.2. 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, must immediately annotate the receipt date and review invoices within 7 days after receipt. If an invoice is improper, then the designated activity must return the invoice to the vendor/contractor.

2.3.2.1. 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, equaling a 4-day delay and 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.

2.3.2.2. 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.

2.3.3. Receipt and Acceptance Report

2.3.3.1. 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.

2.3.3.2. Receipt of goods does not ordinarily 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.

2.3.3.2.1. Interim Payments on Cost-Reimbursement Contracts for Services as Stated in FAR 32.905(c). Contract terms for interim payments 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.

2.3.3.2.2. Contracts Incorporating the “Fast Payment Procedure” Clause at FAR 52.213-1. For 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. Payment of these invoices must 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 13.4 and DFARS 213.4. Refer to section 7.0 of Chapter 10 for additional fast payment procedure financial management policy.

2.3.3.3. The agency receiving official must 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.

2.3.3.4. 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 to calculate PPA interest and applies to both destination acceptance and source acceptance contract terms. Regardless, government proof of acceptance must be forwarded to the designated payment office.

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

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

2.3.3.4.3. 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.

2.3.4. 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 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.

2.3.5. Emergency and Contingency Operations. When authorized, the head of the contracting activity 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 32.9 and include the applicable payment clause in the contract.

2.3.5.1. For payments that have been determined to be exempt from FAR 32.9, certifying officers involved in supporting contingency operations may use Appendix 1 of Chapter 8 to identify the documents and information needed to ensure the entitlement to payment is valid prior to certification. Certification guidelines for these payments are contained in paragraph 7.6 of Chapter 8.

2.3.5.2. For payments that are subject to the requirements of FAR 32.9, PPA interest payments will be made only as specified in the contract clause.

2.3.6. 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\(b\)](#) 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), payment of any portion, or all, of a certified request for progress payment that fails to conform to the specifications, terms, and conditions of the contract is referred to as an “unearned amount.” FAR 52.232-5(d) also requires that if the contractor, after being paid upon submitting a certified request for progress payment, discovers that a portion, or all of such payment, involves an unearned amount, the contractor is then 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:

2.3.6.1. The date the contractor notifies the contracting officer that the performance deficiency has been corrected; or

2.3.6.2. The date the contractor reduces the amount of any subsequently certified request for progress payment by an amount equal to the unearned amount.

2.3.7. Payment for Partial Deliveries on Fixed-Priced Supply, Fixed-Priced Services, or Non-Regulated Communication Service Contracts. FAR 32.906(c) instructs contracting officers, 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 additional payment requirements; however, a proper invoice and documentation of government receipt and acceptance are required before the payment can be made.

2.4 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 that 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. For invoices that are made electronically available in feeder systems such as the Government purchase card bank system or the transportation Third Party Payment System, the invoice receipt date is the date on which the invoice is made available to the DoD, versus when invoices are transmitted to the entitlement office (Chapter 23, paragraph 5.6).

2.5 Determining the Payment Due Date

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

2.5.1. 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:

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

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

2.5.2. An example of applying subparagraph 2.5.1 in determining the payment due date 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.

2.5.3. A contract modification may be required in order to determine when a payment is to be made (the payment due date), e.g., an award fee. If a payment cannot be entitled without a contract modification, the payment clock will start with the effective date of the modification.

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

2.6 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\(j\)](#)).

2.6.1. When the conditions in [5 CFR 1315.5](#) are met, a DoD Component may use an accelerated payment method.

2.6.2. 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 52.232-25, 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).

2.6.3. In accordance with [10 U.S.C. § 3801\(b\)\(1\)](#) and NDAA FY 2021 Section 815, for a prime contractor that is a small business concern, DoD must, to the fullest extent permitted by law, establish an accelerated payment date with a goal of 15 days after receipt of a proper invoice for the amount due.

2.6.4. In accordance with 10 U.S.C. § 3801 (b)(2) and NDAA FY 2022 Section 814, for a prime contractor that subcontracts with a small business concern, DoD must, to the fullest extent permitted by law, establish an accelerated payment date with a goal of 15 days after receipt of a proper invoice for the amount due if the prime contractor agrees to make payments to the subcontractor in accordance with the accelerated payment date, to the maximum extent practicable, without any further consideration from or fees charged to the subcontractor.

2.6.5. 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.

2.6.6. Checks will be mailed or transmitted on the same day the check is dated.

2.6.7. Payments due (including discount periods) on Saturday, Sunday, or legal holidays may be paid on Monday, or the next working day, without interest; however, this does not change the official payment due date as specified in paragraph 2.5.

2.7 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.

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

2.7.2. The [*Bureau of the Fiscal Service's website*](#) contains a discount calculator to assist in determining whether the discount is economically justified.

2.7.3. 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.

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

2.8 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.

2.8.1. Automatic Interest. 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:

2.8.1.1. The designated billing office received a proper invoice;

2.8.1.2. 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;

2.8.1.3. In the case of a final invoice, the payment amount is not subject to further contract settlement actions between the Government and the contractor;

2.8.1.4. The designated payment office paid the contractor after the due date; and

2.8.1.5. 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.

2.8.2. Incorrect Banking Information. 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 regulations.

2.8.3. 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)).

2.8.4. Interest Penalty Requirements. The specific interest rate will be applied to the total penalty period (maximum 1 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 Contract Disputes Act of 1978 (5 CFR 1315.10(a)(5)). Interest calculations are to be based on a 360-day year.

2.8.5. 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 that 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 entitlement to additional penalties is also dependent upon, among other things, its timely submission of a claim for the additional penalty. For further information on additional penalties, refer to 5 CFR 1315.11 and FAR 32.907(c).

2.8.6. Interest Penalties Due Under Construction Contracts. Title [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 office, 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.

2.8.7. Exceptions to Interest Penalties Due. Title 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, or contract payments are delayed due to disputes between the Government and contractor over the payment amount or compliance with the terms of the contract. More detailed information regarding these, and other exceptions, is contained in 5 CFR 1315.10(c).

2.8.8. Computation of Interest Penalties. The Government will compute interest penalties in accordance with the OMB prompt payment regulations at 5 CFR 1315.10 and FAR 32.907. The Bureau of the Fiscal Service website contains both a simple daily interest calculator and a monthly compounding interest calculator to assist in interest calculations.

2.9 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 (refer to 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 [31 U.S.C. § 3902](#)). 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 U.S.C. § 1553 \(b\)\(1\)](#).

2.9.1. 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.

2.9.2. 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. All requests 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.

2.9.3. 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 U.S. Department of the Treasury.

2.9.4. 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

Changes are identified in this table and also 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 [April 2022](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.11	Added policy concerning the identification of the appropriate contract payment office in accordance with the joint Deputy Under Secretary of Defense for Acquisition and Sustainment and Deputy Under Secretary of Defense, Comptroller policy memorandum, dated November 8, 2023.	Addition

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CHAPTER 8

COMMERCIAL PAYMENT VOUCHERS AND SUPPORTING DOCUMENTS

1.0 GENERAL

1.1 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 paragraph 1.3. 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 [legal and](#) contractual conditions for payment have been met.

1.2 Purpose

This chapter prescribes 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; the document retention requirements; and the related electronic submission and processing requirements.

1.3 Authoritative Guidance

The policies prescribed throughout this chapter pertaining to the entitlement and preparation of commercial payment vouchers, including supporting documentation, are based primarily upon the FAR Parts 13, 16, 32, 43, and 52; FAR Subparts 2.1, 4.1, 4.5, and 4.9; the DFARS Parts 204, 213, 225, 232, 243, and 252; Titles 15, 31, and 41 of the United States Code (U.S.C.); and Titles 5 and 31 of the Code of Federal Regulations (CFR).

2.0 POLICIES AND REQUIREMENTS

2.1 Federal Acquisition Regulation (FAR)

[Title 41, 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 used by all Federal executive agencies for the acquisition of supplies and services with appropriated funds.

2.1.1. [FAR 4.5](#) provides policy for the establishment and use of electronic commerce in federal acquisition as required by [41 U.S.C. § 2301](#).

2.1.2. [FAR 32.11](#) requires contract financing and delivery payments to contractors be made by Electronic Funds Transfer (EFT). FAR 32.1103 and [31 CFR 208.4](#) prescribe limited exceptions

to the EFT requirement. Volume 5, Chapter 11 provides additional EFT policy information concerning disbursements and collections.

2.2 Defense Federal Acquisition Regulation Supplement (DFARS)

The DoD implementation and supplementation of the FAR is issued in the DFARS.

2.2.1. [DFARS subpart 232.70](#) prescribes DoD acquisition policies requiring the submission and processing of contractor payment requests and receiving reports in electronic form to comply with [10 U.S.C. § 4601](#).

2.2.2. Acceptable electronic submission forms prescribed in DFARS 232.7002(b)(1) include, but are not limited to:

2.2.2.1. The Wide Area Workflow (WAWF) module within the Procurement Integrated Enterprise Environment (PIEE);

2.2.2.2. DoD-approved electronic third-party payment systems, 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

2.2.2.3. TRICARE Encounter Data System for rendered health care services.

2.3 Prompt Payment Act (PPA)

The PPA ([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 the 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 the PPA.

2.4 Payment Prevalidation

[Public Law 104-61 Sec. 8102](#), DoD Appropriations Act, 1996, requires certain disbursements be matched to a particular obligation before the disbursement is made (prevalidation). Refer to Chapter 1, section 3.0, for additional policy specific to prevalidation.

2.5 Requirements for Disbursing Transactions

Volume 5, Chapter 9 prescribes policy and requirements pertaining to disbursing transactions. Additionally, the Treasury Financial Manual ([TFM, Volume 1, Part 4](#)) prescribes requirements for disbursing payment vouchers.

2.6 Payment Certification Requirements

Title [31 U.S.C. § 3325](#) authorizes a DO to disburse money only when provided a voucher certified by a properly appointed certifying officer.

2.6.1. Certifying officers are individuals designated in writing (appointed) who are required to perform their duties in accordance with Volume 5, Chapter 5. DoD Directive ([DoDD](#)) [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). Refer to Volume 5, Chapter 5 for additional policy concerning re-delegation authority.

2.6.2. All certifying officers must be appointed using a DoD ([DD](#)) [Form 577](#), Appointment/Termination Record-Authorized Signature. As prescribed by Volume 5, Chapter 5, certifying officers who certify electronic vouchers must submit an electronic DD 577. Certifying officers who certify manual vouchers, or submit manual certifications of electronic payments, must submit an original, manually-signed DD 577. By certifying a voucher, the certifying officer attests that the payment is legal, correct, and proper. As prescribed by [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, [section 5.4](#).

2.6.3. The Secretary of Defense has delegated authority to the Director, Defense Finance and Accounting Service, 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 7.0](#) for policy regarding decisions of liability.

2.7 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](#)).

2.8 System for Award Management (SAM)

In accordance with [FAR 4.11](#), contractors and vendors doing business with the Federal Government must register in [SAM](#), except as noted in FAR 4.1102. Contractors and vendors are responsible for keeping all SAM information current.

2.9 Electronic and Digital Signatures

Title [15 U.S.C. § 7001](#) authorizes DoD to use electronic and digital signatures. Volume 5, Chapter 1, [subparagraph 3.5.3](#) prescribes the minimum requirements for electronic and digital signatures.

2.10 Contract Payments Using the Government Purchase Card (GPC)

The [FAR 13.301](#) authorizes the use of the GPC to make payments on contracts.

2.10.1. Pursuant to [FAR 32.1110\(d\)](#), contracting officers must 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 may also be made under a contract that does not contain the clause to the extent the contractor agrees to accept that method of payment.

2.10.2. 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 reviewing the SAM) whether the contractor has any delinquent debt, subject to collection under the Treasury Offset Program (TOP), prior to order placement and contract award. In accordance with FAR 32.1108(b)(2)(ii), contracting officers must 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.

2.10.3. The Department of Defense [Government Charge Card Guidebook](#) for Establishing and Managing Purchase, Travel, and Fuel Card Programs provides additional policy and procedures pertaining to the uses and limitations of the GPC in paying contracts.

*2.11 Payment Office Identification

2.11.1 Designating the payment office best suited to perform entitlement activities for FAR-based contracts and Other Transactions (OT) for Prototype and Production is of critical importance for both the acquisition and financial management communities. Payment offices are aligned to entitlement systems via the payment office DoD Activity Address Code (DoDAAC). Contracting and Agreements Officers determine which payment office DoDAAC goes on a contract or OT, and therefore which entitlement system performs the entitlement.

2.11.2 Each DoD entitlement system is capable of handling varying degrees of complexity. The Mechanization of Contract Administration Services (MOCAS) system is capable of handling the most complex contracting and payment situations that may arise (i.e., financing payments, withholds, foreign currencies, and complex contract types and structures.) The Component's Enterprise Resource Planning (ERP) systems are often capable of processing payments for less complex awards in a more efficient, accurate, and less-costly manner. Due to the improved accuracy and lower cost for manual intervention, the Component's ERPs should be used as the payment office except in cases where the contract's complexity requires another alternative such as MOCAS. See the joint Deputy Under Secretary of Defense for Acquisition and Sustainment and Deputy Under Secretary of Defense, Comptroller [policy memorandum](#) for more information.

3.0 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 3.3 defines the exceptions in which receiving reports are not required prior to payment.

3.1 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 and to avoid the unnecessary payment of late payment interest penalties.

3.2 Contract

3.2.1. 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 4.5 requires the use of electronic commerce in Federal acquisition whenever practicable or cost effective.

3.2.2. Contract Types. [FAR 16](#) describes the types of contracts that may be used in acquisitions.

3.2.3. Contract Clauses. [FAR 52](#) and [DFARS 252](#) contain:

3.2.3.1. Instructions for using provisions and clauses in contracts, and

3.2.3.2. Contract clauses prescribed in specific FAR and DFARS provisions.

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

3.2.4.1. [Standard Form \(SF\) 26, Award/Contract](#);

3.2.4.2. [SF 33, Solicitation, Offer, and Award](#);

- 3.2.4.3. [SF 44, U.S. Government Purchase Order - Invoice - Voucher](#);
- 3.2.4.4. [SF 1449, Solicitation/Contract/Order for Commercial Items](#);
- 3.2.4.5. [DD 1155, Order for Supplies or Services](#);
- 3.2.4.6. [SF 1442, Solicitation, Offer, and Award](#) (Construction, Alteration or Repair); and
- 3.2.4.7. [Optional Form 307, Contract Award](#).

3.2.5. Contract Modifications

3.2.5.1. [FAR 43](#) and [DFARS 243.2](#) contain the policy and requirements for preparing and processing contract modifications.

3.2.5.2. [SF 30, Amendment of Solicitation/Modification of Contract](#) is a form that may be used for contract modifications.

3.2.6. 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.

3.3 Receiving Report

3.3.1. Definition. As defined by FAR 2.101, a receiving report is written evidence documenting the government's acceptance of supplies delivered or services performed.

3.3.1.1. 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 Chapter 10, section 7.0. These requirements for payment processing do not negate the documentation requirements established in Volume 4, Chapter 9, section 2.2.

3.3.1.2. As stated in [DFARS 232.7002](#), contractors must submit payment requests and receiving reports in electronic form. DFARS 232.7002(b)(1) identifies the acceptable electronic submission forms, which includes the WAWF module of the PIEE (or other limited authorized electronic means as indicated in DFARS 232.7002(b)(1)(i)). The WAWF module of PIEE, Enterprise Resource Planning systems, and third-party payment systems accomplish electronic receipt and acceptance of materials or services with the use of an electronic signature.

3.3.2. 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 the following:

3.3.2.1. [DD 250, Material Inspection and Receiving Report](#). The form used for documenting receipt and acceptance of goods and services is the DD 250. The [DFARS, Appendix F, Part 3](#) contains preparation instructions for the DD 250;

3.3.2.2. [DD 1155](#). The verification of receipt by an authorized government representative constitutes a valid receiving report;

3.3.2.3. [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 additional policy, including conditions that must be satisfied in order to use the SF 44, see paragraph 7.4;

3.3.2.4. [Bill of Lading](#). In accordance with [FAR 47.302\(c\)\(2\)](#), when the government accepts title of supplies at origin, and the contract specifies transportation terms of free on board to destination (contractor bears the expense of transportation), the contractor may be paid upon acceptance of title at origin, 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, return the invoice to the contractor as an improper invoice; or

3.3.2.5. [SF 1449](#). The SF 1449 is prescribed for use in solicitations and contracts for commercial items.

3.3.3. [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.

3.3.4. [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.

3.3.4.1. [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.

3.3.4.1.1. As defined by [FAR 32.001](#), 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, performance-based payments, and interim payments on cost-type contracts (other than under cost-reimbursement contracts for the acquisition of services). [Title 5, CFR 1315.4\(d\) and \(e\)](#) 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.

3.3.4.1.2. 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.

3.3.4.2. 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 7.0 for additional fast payment procedure policy.

3.3.5. Variation in Quantity. Quantity variations in contracts may be authorized for both supply contracts and construction contracts as cited in [FAR 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).

3.3.5.1. 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.

3.3.5.2. When the receiving report or 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.

3.4 Invoice

3.4.1. 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. In accordance with DFARS 232.70, contractors/vendors, with few exceptions (refer to DFARS 232.7002(a)), are required to invoice electronically using the WAWF module of the PIEE.

3.4.2. Submission Requirements

3.4.2.1. 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 are readily available and accessible in electronic media or through an electronic process.

3.4.2.2. 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 2.0, processes, controls, and routine testing must be established to ensure the completeness, accuracy, authorization, and validity of the electronic data received via system interfaces/transmission.

3.4.2.3. When contractors/vendors are permitted to invoice in a non-electronic manner, they may submit invoices on any type of form, provided all required items of a proper invoice are included on the document, unless their contract prescribes a specific form of invoicing.

3.4.3. Proper Invoice. DoD payments must be based on satisfactory contract performance and the receipt of a proper invoice, unless an invoice is not required by the contract (e.g., monthly rental payments). Title 5, CFR 1315.9(b)(1) and FAR 32.905(b) identify the items that must be included on a proper invoice.

3.4.4. 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 contractor/vendor and provide all details regarding invoice deficiencies.

3.4.4.1. 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 must provide the contractor's TIN to the appropriate payment office ([FAR 4.203\(e\)\(2\)](#)).

3.4.4.2. 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 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.

3.4.5. 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:

3.4.5.1. DD 250;

3.4.5.2. SF 44;

3.4.5.3. Delivery Ticket, refer to Chapter 7, [subparagraph 2.3.2.2](#); and

3.4.5.4. SF 1449.

3.4.6. 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.

3.4.6.1. 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 the vouchers for all other types of payments.

3.4.6.2. To comply with [TFM Volume 1, Part 4A, Chapter 2000, Section 2060](#), internal controls must be established, and periodically tested, to ensure that recurrent payments

being made are: on unexpired contracts or agreements, for correct amounts, for services actually received or leased space actually under contract, and are not duplications of previous payments made for the same goods or services.

3.4.7. 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 must be made documenting that payment was made based on existing records, a hardcopy duplicate invoice could not be obtained, and the original invoice was 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 [2050.10](#).

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

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

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

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

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

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

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

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

3.5 Payment Voucher

For specific policy and requirements concerning payment vouchers, refer to Volume 5, Chapter 9. TFM Volume 1, Part 4A, Chapter 2000 contains policy related to scheduling payments and required payment voucher data. Forms that may be used as a payment voucher include, but are not limited to:

3.5.1. SF 44,

3.5.2. [SF 1034](#), Public Voucher for Purchases and Services Other than Personal, and

3.5.3. DD 1155.

4.0 DOCUMENT RETENTION

4.1 Period of Retention

Original payment documentation and associated documents must be retained as government records in a format readily accessible to the entitlement office. Refer to Volume 1, Chapter 9, Figure 9-1, for specific policy and timeframes regarding record retention. Electronic record storage requires adequate controls to ensure that the digital images accurately represent the corresponding paper documentation and prevent changes to an original digital image ([FAR 4.805\(a\)](#)). The retention of documentation, both paper and electronic records, is the responsibility of the certifying officer.

4.2 Electronic Document Access (EDA)

EDA is a mandatory DoD-centralized repository of all unclassified contracts, orders, and modifications in accordance with the DFARS, Procedures, Guidance, and Information [204.201](#). The system is also used as a repository for Contract Deficiency Reports, Government Bills of Lading, vouchers, and receiving reports.

5.0 FOREIGN LANGUAGE DOCUMENTS

5.1 Documents Prepared in a Foreign Language

5.1.1. 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.

5.1.2. 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.

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

5.1.2.2. If terms are so technical that a translation cannot be made, then a descriptive translation is adequate, provided the ordering or requiring activity certifies receipt and acceptance of the items, and provides the names and contact information, along with the signature accompanying this translation certificate if not performed electronically.

5.1.2.3. If not properly translated, return the invoice to the vendor as improper. Refer to [subparagraph 3.4.4](#) and Chapter 7, for information on improper invoice policy.

5.2 Multiple Invoices

If several invoices contain [a similar](#) format and wording, then a single translation is adequate provided like invoices support the same payment voucher, and:

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

5.2.2. 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

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

5.3 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 translation 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 577) certifying officer must ensure payment requirements are satisfied based upon the translation.

6.0 PROCESSING ALTERED DOCUMENTS

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

6.1 Prohibited Pen and Ink Changes

6.1.1. 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.

6.1.2. Entitlement office personnel are prohibited from making pen and ink changes on requests for payments, receiving reports, and invoices for the following information:

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

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

6.1.2.3. Monetary Amounts. Monetary amounts include any dollar value on any of the documents;

6.1.2.4. Line of Accounting (LOA) Data. LOA data includes all information pertaining to the LOA on any of the documents;

6.1.2.5. 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 documents; and

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

6.2 Allowable Pen and Ink Changes

6.2.1. Entitlement offices can make pen and ink changes for administrative type errors not described in [sub](#)paragraph 6.1.2 on requests for payment, receiving reports, and invoice documents.

6.2.2. 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 citations.

7.0 EMERGENCIES AND CONTINGENCY OPERATIONS

7.1 Definitions

7.1.1. 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.

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

7.1.2.1. 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

7.1.2.2. Results in the call or order to, or retention of, 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.

7.2 Prompt Payment Act (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 – 42 U.S.C. § 5195c](#)) may not be subject to the requirements of [FAR 32.9](#). Refer to [DFARS 252.232-7011](#) and Chapter 7 for the policy detailing these exemptions.

7.3 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 U.S.C. § 1903 are met.

7.4 Standard Form (SF) 44

The SF 44 is designed for on-the-spot, over-the-counter purchases of supplies and non-personal services while away from the purchasing office or at isolated activities. It can be used as a multipurpose 3-in-1 form to document the receipt, invoice, and voucher ([FAR 13.306](#)). The amount of the purchase must be at or below the micro-purchase threshold defined in [FAR 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.

7.5 Government-wide Purchase Card

A contracting officer supporting a contingency operation may use the Government-wide commercial purchase card to make a purchase that exceeds the micro-purchase threshold but does

not exceed the simplified acquisition threshold. Refer to [DFARS 213.301\(3\)](#) for information concerning the conditions that must be met.

7.6 Certification Guidelines

In addition to a contract, receiving report, and an invoice, certifying officers involved in supporting emergencies and contingency operations must ensure specific information is contained within the entitlement package. This is to ensure that the entitlement to payment is valid for certification and payment in those situations when the payment is exempt from the PPA. Payments subject to the PPA would fall within the requirements contained in Chapter 7. For payments made in support of an emergency or contingency operation that are not subject to the PPA requirements, Appendix 1 - Matrix for Payments in Support of Emergencies and Contingency Operations provides a matrix tool to assist in identifying the critical data elements necessary to perform a proper certification of a payment.

7.7 Written Justification

In circumstances where information identified in Appendix 1 is not present on all of the documents (i.e., contract, receiving report, and the invoice), the certifying officer may certify the payment if they can make a reasonable linkage among the documents. Additionally, the certifying officer may, in certain circumstances as explained in Appendix 1, certify a payment that does not contain a critical data element identified in the Appendix 1 matrix; however, they must justify in writing why they certified the payment.

7.8 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.

7.9 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.

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

This appendix 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, 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 FAR 32.9 and are in accordance with the criteria outlined in [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 the Prompt Payment Act (PPA) requirements must adhere to the payment documentation requirements contained in 5 CFR 1315.9.
- Emergencies and contingency operations payments that 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 that 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 identified in 5 CFR 1315 for a proper invoice, receiving report, and contract 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 appendix 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.

APPENDIX 1. MATRIX FOR PAYMENTS IN SUPPORT OF EMERGENCIES AND CONTINGENCY OPERATIONS (Continued)

- 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: (1) there is 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 (Fixed Price)	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	X			
Item Price	X	X			
Fiscal Year and 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 7.7 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-ordered payments, foreign companies, foreign visitors, and U.S. Government agencies. Refer to paragraph 2.7 and subparagraph 3.4.4.
7. Documentation for miscellaneous payments varies, based on the specific type of payment. Refer to Chapter 12 and the [DoD Guidebook for Miscellaneous Payments](#) for additional policy.
8. A certifying officer must justify in writing when a payment is made that is missing any required critical data element. This justification can either be made on the voucher or on a separate attachment provided with the voucher.
9. If transportation costs are claimed, or shipment damage occurs or is expected to occur, shipping terms are considered a critical element.

VOLUME 10, CHAPTER 10: “PAYMENT VOUCHERS – SPECIAL APPLICATIONS”

SUMMARY OF MAJOR CHANGES

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

Substantive revisions are denoted by an 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).

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

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also 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 2023](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.20.1, 2.20.2 (Previous Version)	Combined the previous version of subparagraph 2.20.1 with the previous version of subparagraph 2.20.2 for readability and clarity.	Revision

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CHAPTER 11

PAYMENT AS REIMBURSEMENT FOR PERSONAL EXPENDITURES

1.0 GENERAL

1.1 Purpose

This chapter prescribes policy for reimbursement to civilian personnel, military members, and others who have used personal funds to pay for Federal Government obligations. The [DoD Guidebook for Miscellaneous Payments](#), prepared by the Defense Finance and Accounting Service, assists 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.

1.2 Authoritative Guidance

The policies prescribed throughout this chapter pertaining to claims for personal expenditures are based primarily upon Titles 5, 10, 31, and 41 United States Code (U.S.C.); Titles 5 and 32, Code of Federal Regulations (CFR); Joint Travel Regulations ([JTR](#)), [Chapters 2, 3, and 5](#); DoD Instruction (DoDI) [1000.30](#), “Reduction of Social Security Number (SSN) Use Within DoD;” and [DoDI 7250.13](#), “Use of Appropriated Funds for Official Representation Purposes.”

2.0 PERSONAL EXPENDITURES

2.1 Overview

It is DoD’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 Component or activity, or to circumvent other laws or regulations.

2.1.1. Use of electronic submissions is preferable when requesting reimbursement for personal expenditures. The electronic claim must contain all the elements of the Optional Form ([OF 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 supports both internal and external audit requirements.

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

2.1.3. All payments require claimants subject to the U.S. Internal Revenue Service code to provide a Tax Identification Number (TIN) in accordance with [31 U.S.C. Section 7701](#),

[31 U.S.C. § 3325\(d\)](#), and [Federal Acquisition Regulation, subpart 4.9](#). For personnel, the TIN may be the claimant's SSN ([26 U.S.C. § 6109\(d\)](#)). However, an alternative identification number should be used whenever possible in accordance with DoDI 1000.30. In accordance with [DoDI 5400.11](#), "DoD Privacy and Civil Liberties Programs," Components must safeguard the privacy of all individuals and the confidentiality of all personally identifiable information (PII), and take action to ensure any PII contained in a system of records used to conduct official business will be protected so the security and confidentiality of the information is preserved.

2.1.4. 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, appropriate approving official, and a properly appointed certifying officer prior to being paid.

2.1.5. Personnel may use electronic and digital signatures to approve and certify financial documents processed through automated information systems (Volume 5, Chapter 1, subparagraph 3.5.3).

2.1.6. Certifying officers must approve the claim prior to disbursement to ensure 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 the proposed payments are legal, proper, and correct (Volume 5, Chapter 5, sections 4.0 and 5.0).

2.1.7. To ensure auditability and to validate entitlement systems' payment records, all claims for reimbursement require supporting documentation for proof of receipt, approval by a designated approving official, and certification by a properly appointed certifying officer prior to the disbursement. Volume 1, Chapter 9, Figure 9-1 prescribes DoD policy regarding the retention period for financial records in support of these payments. Refer to [44 U.S.C. § 2909](#) for authorization to retain records for a longer period than specified in disposal schedules. Supporting documentation includes, but is not limited to, receipts, tickets, and invoices.

2.2 Claim for Reimbursement for Expenditure on Official Business

2.2.1. 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.

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

2.2.3. Supporting Documents. The documents supporting certified vouchers must show the 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 JTR, Chapters 2, 3, and 5, prescribes items allowable for reimbursement while in travel status for military members and DoD civilian personnel.

2.3 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 when acting as an auxiliary of the Air Force. Reimbursement of expenses is also authorized to place equipment into serviceable condition, or to improve and maintain equipment (including aircraft, motor vehicles, computers, and communications equipment) owned or leased by the Civil Air Patrol. Refer to [10 U.S.C. § 9494](#).

2.4 Conference Attendance

2.4.1. Overview. Military 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, Chapters 5, 8, and Definitions. Refer to the [DoD Conference Guidance, Version 4.0](#) for DoD policy concerning the administration and oversight of all conferences.

2.4.2. 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, Chapter 3, sections 0302 and 0321). Documentation supporting that approval must accompany the claim for reimbursement.

2.5 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.

2.6 Professional Credentials and Specialty Board Examinations

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

2.7 Passports and Visas

Reimbursement is authorized for costs related to obtaining a visa or passport when required for official travel by DoD employees and their dependents in accordance with JTR, Chapter 2, section 0204, Table 2-24.

2.8 Personnel Held Captive

2.8.1. 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.

2.8.2. Civilian personnel held captive 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 official prior to submission to the certifying officer.

2.9 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 [20 U.S.C. § 926\(b\)](#). Also see DoD [Directive 1342.20](#), DoD Education Activity (DoDEA), for more information regarding eligibility requirements for education of dependent children in overseas areas or attendance at non-DoD schools. In accordance with DoD Directive 1342.20, a dependent is defined as a minor who has not completed secondary schooling and who is the child, stepchild, adopted child, spouse, or other eligible minor of an eligible sponsor. 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.

2.10 Travel for Dependent Children

When DoD-operated schools are unavailable overseas, the DoDEA 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.

2.11 Continuing Medical Education Program

[Title 10, U.S.C. § 1094a](#) prescribes policy for continuing medical education requirements. Individuals enrolled in approved medical correspondence courses may be reimbursed for course costs prior to course completion. Refer to [5 U.S.C. § 4109](#) and Chapter 4, paragraph 2.4 for additional guidance. The claimant must provide satisfactory proof of course completion, through appropriate Component channels, to the certifying officer in a timely manner to avoid debt collection procedures being initiated for perceived non-completion of the course.

2.12 Official Representation

The use of appropriated funds for official representation purposes is authorized as prescribed in DoDI 7250.13. The Heads of DoD Components may authorize the expenditure of Official Representation Funds by authorized individuals, or their designees, only for official purposes. The claim for reimbursement must be supported by receipts for personal expenditures and approved by the officials designated in accordance with DoDI 7250.13 prior to forwarding to the certifying officer for certification. Also see the DoD Guidebook for Miscellaneous Payments (type payment codes OREV, ORGV, OREE, and ORGE) for additional policy.

2.13 Awards Ceremony Fees

Fees paid by award nominees, award recipients, and 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 meals, 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, approved by the designated management official, to the certifying officer.

2.14 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 form [DD281](#), "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 U.S.C. § 127](#) prescribes policy for emergency and extraordinary expenses.

2.15 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. Refer to the Defense Security Cooperation Agency, [Security Assistance Management Manual, Chapter 10, Section C10.13](#); the JTR, Chapter 2, paragraph 020303; and DoD Component regulations for travel reimbursements.

2.16 Reimbursement for Use of Local Special Conveyances

The JTR, Chapter 2, section 0206 prescribes allowable reimbursements for commonly incurred expenses associated with public or special conveyances used for transportation in and around duty stations. The claim for reimbursement must be supported by receipts, and approved by the Component's designated approving official, prior to submission to the certifying officer.

2.17 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 2, paragraph 020605 prescribes policy for reimbursement for actual and necessary costs. The claim for reimbursement must be supported by receipts, and approved by the Component's designated approving official, prior to submission to the certifying officer.

2.18 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, 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 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.

2.19 Expenses Incident to Death of Personnel

2.19.1. Overview. Specific Component 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 claim must be approved by the Component's designated approving official prior to submission to the certifying officer. Title 10, U.S.C. § 1482 establishes limitations regarding the amount of reimbursement. The payment of expenses incident to the recovery, care, and disposition of remains of a decedent are covered by [10 U.S.C. § 1481](#).

2.19.2. 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 ([5 CFR 1315](#)) are paid directly to the mortuary by the Government.

2.19.3. 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.

2.20 Reimbursement for Civilian Medical and Dental Treatment Paid From Personal Funds

*2.20.1. Defense Health Agency TRICARE Beneficiaries. TRICARE limits beneficiaries' private-sector out-of-pocket costs to plan-specific copays, cost shares, and deductibles based on beneficiary category and selected plan. Health Providers generally bill any excess cost directly to TRICARE, and the Managed Care Support Contractor pays it. However, if beneficiaries' make out-of-pocket payments for private-sector care in excess of their plan limits, they may submit a claim for reimbursement. The claim must include paid, itemized invoices from the service provider and signatures of the claimant, approving official, and certifying officer. Visit www.tricare.mil to download the proper claim form, which includes full instructions for completion.

2.20.2. Civilian Personnel. Title 5, CFR, Subpart 339.203 prescribes policy for the authorization of physical examinations to determine an employee's fitness for duty when such requirements are considered essential for performance of the duties, clearly documented in the position description, and directed by the commanding officer or supervisor. Examinations may be procured through an approved agency purchasing method or the employee can make their 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 the 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.

2.21 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 for reimbursement must include receipts for each payment of \$25 or more, details of the expenditures such as services received and dates rendered, signatures of the claimant and approving official, and be certified by a properly appointed certifying officer prior to payment.

2.22 Reimbursement of Miscellaneous Expenses to Defense Counterintelligence and Security Agency (DCSA)

DCSA agents are authorized reimbursement for investigative costs, such as parking fees, police and court record checks, transcripts, photographs, or miscellaneous investigative fees. The DCSA Headquarters must provide the servicing entitlement office the 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 DCSA management officials.

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

Changes are identified in this table and also 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 2021](#) 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 12

MISCELLANEOUS PAYMENTS

1.0 GENERAL

1.1 Overview

This chapter prescribes policy for certain miscellaneous payments. The Department of Defense ([*DoD Guidebook for Miscellaneous Payments*](#)) (hereafter referred to as the Guidebook) provides additional mandatory requirements prescribed for DoD miscellaneous payments not specifically addressed in this chapter, due to the varied types of miscellaneous payments. The Guidebook also provides a high-level overview of policies and processes, with the goal of consolidating and streamlining miscellaneous payment guidance across the DoD.

1.2 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, that is not payroll related for a military or civilian member, and when use of the Government Purchase Card is not feasible or appropriate.

1.2.1. The [*Standard Form \(SF\) 1034*](#), Public Voucher for Purchases and Services Other Than Personal, or an electronic equivalent, is the most common authorized form used when claiming payment or reimbursement for miscellaneous expenses. Refer to the Guidebook for specific information related to other authorized forms, depending on the type of miscellaneous expense, as well as the documentation requirements to support the request for payment. Chapter 8, and Volume 5, Chapters 5 and 9 prescribe policy addressing payment vouchers.

1.2.2. To establish auditability and to validate entitlement systems and payment records, a copy of all supporting documentation must accompany each payment request. 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.

1.2.3. A designated approving official is the individual appointed by the commanding officer, director or designee, with oversight responsibility to ensure all payments or requests 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. Approving officials are responsible for providing information and data to certifying officers or disbursing officials in support of the payment by attesting to the accuracy of information and data provided. Approving officials will review all claims and verify the request for payment, or request for reimbursement of miscellaneous expenses, was received in accordance with Component procedures.

1.2.4. All payment requests require supporting documentation for proof of receipt, approved by a designated approving official and certified by a properly appointed certifying officer prior to the disbursement of the payment. Refer to Volume 5, Chapter 5 for policy regarding the appointment of certifying officers via the [DoD \(DD\) Form 577](#), Appointment/Termination Record – Authorized Signature, as well as the proper distribution of the form 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.

1.2.5. Components must ensure all miscellaneous claims are paid from funds current and available to the accountable activity at the time the claim accrues, unless specifically authorized and 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.

1.2.6. All payments require payees subject to the U.S. Internal Revenue Service (IRS) code to provide a Taxpayer Identification Number in accordance with [Title 26, United States Code \(U.S.C.\), section 6109](#) (also see [31 U.S.C. § 3325\(d\)](#) and [31 U.S.C. § 7701\(c\)](#)), and Federal Acquisition Regulation ([FAR](#)) [4.902](#)). In accordance with DoD Instruction ([DoDI](#)) [5400.11](#), Components must safeguard the privacy of all individuals and the confidentiality of all personally identifiable information (PII), and take action to ensure any PII contained in a system of records used to conduct official business is protected so the security and confidentiality of the information is preserved.

1.2.7. Volume 1, Chapter 9, Figure 9-1 prescribes DoD policy regarding the retention period of financial records in support of these payments. Refer to [44 U.S.C. § 2909](#) for authorization to retain records for a longer period than specified in disposal schedules.

1.2.8. Miscellaneous payments pertaining to awards and judgments that are wage-related must be submitted and paid through the civilian payroll office to ensure proper withholding of mandatory deductions. Refer to Volume 8, Chapter 4 for mandatory payroll deductions.

1.3 Authoritative Guidance

Policy contained in this chapter pertains to various types of miscellaneous payments, and is based primarily upon Titles 5, 10, 28, 31, 41, and 44 of the U.S.C.; Titles 5, 19, 28, 29, 40, and 44 of the Code of Federal Regulations (CFR); the Treasury Financial Manual (TFM), Volume 1, parts 2 and 6; the FAR parts 5, 33, and 52; and the Defense Federal Acquisition Regulation Supplement (DFARS) subparts 205 and 241. Refer to each individual miscellaneous payment subject for the specific authoritative reference.

2.0 FEES, CLAIMS, AND AWARDS

2.1 Attorney Fees Awarded under Freedom of Information Act (FOIA)

[Title 5 U.S.C. § 552](#) requires the release of agency records requested under the authority of the statute, unless a specific exemption authorizes its withholding.

2.1.1. Under the provisions of the FOIA, a federal district court judge may award attorney fees and litigation costs to a party that substantially prevails in litigation against the Government (5 U.S.C. § 552a(4)(E)). The Openness Promotes Effectiveness in Our National Government Act of 2007 stipulates that fees assessed in FOIA litigation are not payable from the Judgment Fund, which is administered by the U.S. Department of the Treasury (Treasury), Bureau of the Fiscal Service (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 (see the note concerning “Limitation on Amounts Obligated or Expended from Claims and Judgment Fund” of 5 U.S.C. § 552).

2.1.2. It is DoD funding policy that the attorney fees, and other costs assessed in the FOIA litigation, are payable 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 awarding attorney fees.

2.1.3. Litigation involving record or FOIA determinations of multiple organizations may require funding responsibility allocation 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 consultation should occur accordingly.

2.2 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 DOJ-compromise settlements of actual or imminent lawsuits against the Government ([31 U.S.C. § 1304](#)). Additionally, the DOJ, with the approval of the Fiscal Service, is able to make payments of properly awarded attorney fees. Fees awarded in discrimination cases are exceptions. See [section 3.9](#) for policy on discrimination cases. Awarding of attorney fees must be by a court of competent authority, and these fees are normally payable from the Judgment Fund. If such fees are not payable from this appropriation, the DOJ provides guidance on a case-by-case basis for payment of these fees.

2.3 Attorney Fees Awarded under the Equal Access to Justice Act

2.3.1. 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 DoD in the adversary adjudication, or a court action, may obtain an award of attorney fees and other expenses incurred in connection with the proceeding.

2.3.1.1. 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 (5 U.S.C. § 504).

2.3.1.2. 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 ([28 U.S.C. § 2412\(d\)\(1\)\(B\)](#)).

2.3.1.3. 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.

2.3.2. 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 per hour (5 U.S.C. § 504), unless the adjudicating officer (deciding official), or the court in civil actions, determines 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. The amount payable is the amount approved by the adjudicating officer, or by the court in civil actions, based on documentation from the adjudicating officer or the court.

2.4 Attorney Fees Awarded under Contract Disputes

Payments made by the Fiscal Service 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\(d\)\(4\)](#)).

2.5 Awards Made to Bid Protesters

The [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 U.S. Court of Federal Claims. The [FAR 33.102\(b\)\(1\)](#) stipulates the head of the agency may take any action that could have been recommended by the Comptroller General had the protest been filed with the Government Accountability Office, and award certain costs to the bid protester (FAR 33.102(b)(2)), if it is determined 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 33.104\(h\)\(1\)](#)). Refer to [31 U.S.C. § 3554\(c\)\(2\)](#) for cost and fee reimbursement limitations.

2.5.1. 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, approved by the contracting officer, must be used to support the certification of payment.

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

2.6 Claims under the Federal Tort Claims Act and Other Non-Contractual Claims

2.6.1. The Secretary of Defense, or designee, is authorized to pay claims against the United States for monetary damages. The Federal Tort Claims Act ([28 CFR part 14](#)) permits private parties to file a claim against the United States. Claims include damages to or loss of property, or personal injury or death, caused by the negligent or wrongful act or omission of an employee of the 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 the 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](#), Voucher for Payment Under Federal Tort Claims Act, must be accompanied by evidence that the award, compromise, or settlement has been approved by the Attorney General or his designee ([28 CFR, section 14.10](#)).

2.6.2. A list of 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. For claims approved by the Secretary of a Military Department, or by designated approving authorities in the office of counsel or judge advocate general, the public voucher must be sent to the appropriate office for payment. Claims approved by other designees should be forwarded to the local entitlement office that supports the approving authority for payment of the public voucher.

2.6.3. Awards are payable from the DoD's appropriations. Refer to 28 CFR, section 14.10 for the required claim documentation, threshold amounts, and execution requirements of the claimant. In accordance with 28 CFR, section 14.10, when an attorney represents a claimant, the voucher for payment must designate both the claimant and his attorney as payees, and the check will be delivered to the attorney, whose address must appear on the voucher.

2.7 Claims under the Foreign Claims Act

2.7.1. 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, employees, or combination of officers or employees of the armed forces. The commission may settle and pay an amount not more than \$100,000 for a claim against the United States. Title 10, U.S.C. § 2734 covers claims for damage to or loss of real property, damage to or loss of personal property, and personal injury to or death of any inhabitant of a foreign country.

2.7.2. These commissions may also approve or disapprove claims under international agreements in accordance with 10 U.S.C. § 2734b. Commanders, directors, or other designated officials of the DoD should contact the local office of counsel or their Judge Advocate General office for the regulations governing the preparation, submission, adjudication, and payment of these claims. Claims approved must be forwarded to the Component's nearest designated payment office or the nearest Defense Finance and Accounting Service (DFAS) payment office. Use the DoD Activity Address Code (DoDAAC) Customer Service tab on the DFAS.mil website to access the DFAS payment office and DoDAAC customer service information.

2.7.3. 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.

2.8 Counsel Fees and Other Expenses in Foreign Courts

2.8.1. Payment of counsel fees and other service-related expenses in foreign courts may require an advance payment ([32 CFR 845](#)).

2.8.2. Requests for payment of counsel, bail, or other expenses are ordinarily made by the defendant or the accused through appropriate channels, 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.

2.8.3. When appropriate, contracts or letters of commission and understanding are instruments that obligate the U.S. 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 authorized 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 the U.S. 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.

2.8.4. 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.

2.9 Payment to Contractor When Contracting Officer Approves Claim under the Contract Disputes Act of 1978

2.9.1. If funds for the claim are available, and the contractor does not appeal the contracting officer's decision, settlement of the claim is to be made by the responsible entitlement office from funds cited on the contract ([41 U.S.C. § 7108](#) and 31 U.S.C. § 1304).

2.9.1.1. 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 and document support for the payment. The execution of the contract modification must take place prior to entitlement of the contractor's invoice.

2.9.1.2. 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 [FAR 33.208](#) and the [FAR Disputes clause 52.233-1](#).

2.9.2. If funds to pay the claim are not available, the contracting officer may refer the claim to the [Armed Services Board of Contract Appeals \(ASBCA\)](#) and request 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 Fiscal Service. This reimbursement may come from current and available funds or by obtaining additional funds (41 U.S.C. § 7108) as stated in [section 2.11](#). The policy for payment of amounts under the Contract Disputes Act by the ASBCA or the Court of Federal Claims is in [section 2.10](#).

2.10 Payment to Contractors Based on Decisions of ASBCA or Court of Federal Claims

2.10.1. 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 [section 2.9](#), a separate payment may be due the contractor when a final judgment occurs from a separate court action against the DoD. When settlements have been rendered, the transcript of the court judgment against the DoD must be forwarded by the DoD organization directly to the Fiscal Service. The DoD organization must use the methods prescribed by [TFM Volume 1, part 6, chapter 3100, section 3130](#) (except for claims settled under the Contract Disputes Act of 1978, as noted in [paragraph 2.9.2](#)).

2.10.2. The Fiscal Service administers and certifies payments from the Judgment Fund for the settlement and final judgment by the U.S. District Courts and on final judgments by the Court of Federal Claims ([TFM, Volume 1, part 6, chapter 3100, 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 ([see 31 U.S.C. § 1553 \(b\)\(2\)](#)).

2.10.3. Title 41, U.S.C. § 7108 covers payment of claims filed under the Contract Disputes Act of 1978 (41 U.S.C. § 7101-7109, FAR subpart 33.2, and FAR clause 52.233-1). Judgments against the United States by the Court of Federal Claims, and monetary awards to a contractor from the ASBCA, are authorized to be paid and charged to the 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.

2.10.4. Payment of attorney fees claimed by the contractor may not be included in amounts paid from the Judgment Fund. 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(d)(4)).

2.11 Payments to Reimburse the Fiscal Service for Payments in Settlement of Contractor Claims

Upon certification by the Fiscal Service (TFM, 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 Fiscal Service from the Judgment Fund. Amounts paid to contractors are reimbursable to the Fiscal Service 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 Fiscal Service, the Component must request additional funds through appropriate channels. Amounts reimbursed to the Fiscal Service 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).

2.12 Interest Awarded Contractor by the Armed Services Board of Contract Appeals

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

2.12.2. In accordance with FAR 33.208, the Government will pay interest on the amount due from the date the contracting officer receives the claim, or the date the payment is due, if that date is later.

2.12.3. If claims involve antecedent liability, 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 (41 U.S.C. § 7108).

2.12.4. Claims covered by this section exclude interest penalty claims related to the Prompt Payment Act (PPA) cited in [5 CFR, part 1315](#). Pursuant to 31 U.S.C. § 3902, 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)).

2.13 Return of Absentees

The [DoDI 1325.02](#) provides policy to authorize 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.

2.13.1. Rewards. Receipt of any authorized communication, oral or written, from a military or federal law enforcement officer 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 the amount cited in [10 U.S.C. § 956](#) for apprehending absentees, deserters, or parole and mandatory supervised release violators.

2.13.2. Expense Reimbursements. The DoDI 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 the detention facility normally charges other legal jurisdictions for similar prisoner custody services.

2.13.3. Charging of Expenses. Authorized payments and cost of travel of the guards assigned to absentees or deserters are charged to the parent Military Service's military personnel appropriation (DoDI 1325.02).

2.13.4. 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](#), constitutes notification.

2.13.5. 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:

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

2.13.5.2. A statement stipulating the payee apprehended and detained, or apprehended and delivered the member;

2.13.5.3. The military appropriation of the parent military service of the person apprehended;

2.13.5.4. A copy of a DD Form 553, a certificate from the organization of the absentee, or written notification from military or federal law enforcement officials stating the absentee's return to military control was desirable; and

2.13.5.5. An itemized statement of allowable expenses if reimbursement of actual expenses is being claimed.

2.13.6. 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.

2.14 Cash Awards to Military Members

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

2.14.2. 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.

2.14.3. The award payment will be payable against current funds available to the activity primarily benefiting, or the several funds or appropriations of the various activities benefiting ([10 U.S.C. § 1124\(e\)](#)). Refer to paragraph 1.2.8 for requirements pertaining to submission, payment, and mandatory payroll deductions. The claim for payment requires submission on an SF 1034, or electronic equivalent, and must provide the Home of Record 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 \(2020\), Armed Forces Tax Guide](#).

2.15 Rewards for Recovery of Lost DoD Property

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

2.15.1. Commanders may offer rewards for recovery of lost property; and

2.15.2. The reward payment may be made to persons or organizations for the return of lost property, or information leading to its recovery.

2.15.2.1. Conditions for payment of reward include:

2.15.2.1.1. The persons or organizations must know a reward is being offered, or it is a general practice to offer rewards for the return of particular DoD property, or information leading to its recovery;

2.15.2.1.2. The claimant is not a member of the U.S. Armed Forces or an officer, employee, or agency of the U.S. Government; and

2.15.2.1.3. The payment is consistent with local laws, prevailing customs or practices, treaties, or international agreements.

2.15.2.2. A Military Department will 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, and a statement by the commanding officer or designated representative that all conditions for payment of reward and accountability for the property have been met.

3.0 PURCHASES OF SPECIAL ITEMS AND SERVICES

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

3.1 Advertising

3.1.1. Newspapers. In accordance with [44 U.S.C. § 3702](#) and [FAR 5.502](#), contracting officers must obtain written authorization from the DoD Component head, or from a person who has received written delegation of authority from the head of a DoD Component, prior to advertising in newspapers, trade journals, and similar publications ([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 as follows:

3.1.1.1. 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.

3.1.1.1.1. 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 [DFARS subpart 205.5](#).

3.1.1.1.2. If advertising was authorized by a delegated officer, a copy of the delegation must be attached to the first voucher paid under such delegation and can be referenced on subsequent vouchers.

3.1.1.1.3. 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 the 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.

3.1.1.2. 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, an affidavit or a copy of 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 where 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

voucher. Volume 1, Chapter 9, Figure 9-1 prescribes policy for the retention period of vouchers and documentation.

3.1.2. 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. Payment for claims must be submitted on an SF 1034, or other approved Component form, accompanied by a copy of the invoice and an affidavit of publication furnished by the advertising agency ([FAR 5.503\(d\)](#)).

3.2 Arbitrator Fees

The use of arbitrator services under negotiated grievance procedures of management and labor union agreements is authorized. These services normally are acquired by issuance of a [DD Form 1155](#), Order for Supplies or 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 arbitrators' billing statement, and the terms specified in the completed DD Form 1155. These payments are governed by the terms cited in the PPA (5 CFR, part 1315), unless the DD Form 1155 contains a specific payment due date.

3.3 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 (see [31 U.S.C. § 1343](#)). The purchase cost limitation identified in 31 U.S.C. § 1343 does not include articles used with a car but not permanently attached to it, 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 General Services Administration (GSA), or by any other method less costly to the Government as validated by a cost-comparison ([DoD Manual 4500.36](#)).

3.4 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.

3.5 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 [DoDI 1400.25, Volume 591](#), prescribes the amount 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. See the Guidebook for additional information and policy.

3.6 Confinement of Prisoners in Civil Detention

3.6.1. 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, or a facility accredited by the State for confinement.

3.6.2. The Provost Marshal's Office, which transfers 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 will be provided to all military prisoners. The Military Services may also provide supplies for a prisoner's comfort, establish monetary or quantity limitations on any supplies, and establish other limitations as deemed appropriate by Service corrections headquarters. Supplies issued to persons in a non-pay status will be paid from appropriated funds. The cost of health and comfort supplies provided to persons in a pay status will be charged against their pay accounts or paid from their personal funds.

3.7 Copies of Official Records or Documents

Fees required by local laws for certified copies or photocopies of public records, or documents required by a court or board, may be paid to the performing officials or legal entities. Current operation and maintenance funds may be used to purchase death certificates for deceased retired personnel. The claimant must sign a statement attesting all resources have been exhausted attempting to find beneficiaries, and none were found.

3.8 Demurrage on Cylinders

3.8.1. Vouchers covering demurrage charges on reusable gas cylinders or drums retained beyond the contracted free loan 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 to commence on the first day after date of delivery of each container without regard to any

particular cylinder. In such cases, the contractor's claim must explain the method of calculating demurrage.

3.8.2. The contractor's claim must cover the preceding demurrage payment and other identifying data such as the cylinder number(s), date of delivery of cylinder(s), date rental starts, date of return of cylinder(s), and the actual number of days and rate per day on which the charges were computed. The Component causing 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 cylinder(s) and/or their contents.

3.9 Discrimination Complaints

3.9.1. Overview. Costs incurred in processing discrimination complaints may include travel expenses, attorney fees, investigation expenses, costs of administrative judges, and court reporters ([5 CFR, part 1201](#) and [29 CFR, part 1614](#)).

3.9.2. 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, part 1614.

3.9.3. 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 certified by an authorized certifying officer, will be used to make payment. The claim must cite operating funds current at the time of investigative services.

3.9.4. 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, part 1614). The chief EEO manager at the activity, or assigned designee, must review and approve the EEOC billing.

3.9.5. 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.

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

3.10 Emergency Notification Service (9-1-1)

3.10.1. 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.

3.10.2. 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, the charge is proper and payable by the DoD. The DoD does not have 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 DoD is exempt.

3.10.3. If a military installation receives an invoice for a 9-1-1 charge imposed by a state or local government, the tax is not payable. If fees were improperly paid, refer to the collection policy in Volume 16, Chapter 5 to recover them.

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

3.10.5. 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, they may not claim exemption based on 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, the charge may be for services the resident does not receive, and a challenge 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.

3.11 Hospital Accreditation

Hospital accreditation fees associated with the requirements contained in the [DoD Manual 6025.13, Enclosure 3](#) for medical facilities accredited by the Joint Commission

on Healthcare Organization may be reimbursable. A deposit may be required to be paid for an initial customer and, therefore, may be reimbursable. Accreditation and certification on-site fees are invoiced 1 to 5 days following the survey event completion and would be reimbursable for those requiring accreditation. Accreditation annual fees may also be payable and are subject to the programs, services, volumes, and sites where service is provided.

3.12 Lost or Damaged Clothing Payments to Military Personnel

If the loss was not caused by any fault or negligence of the Service member, 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 ([DoDI 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.

3.13 Medical Services Provided by Civilian Non-Federal Sources

3.13.1. 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.

3.13.2. 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 a MTF is managing the care of dependent and retired personnel, and must refer those personnel to civilian facilities for the care beyond the MTF's capability, payment for related 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.

3.14 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\(a\)](#)). Refer to 10 U.S.C. § 2465(b) for exceptions of authorized payments.

3.15 Municipal Services

In accordance with [DFARS subpart 241.1](#) and [DFARS subpart 241.2](#), the DoD may pay on the same basis as private users of services, based on the quantity of direct services received,

e.g., water and sewage. The general rule is the DoD will not pay for municipal services, unless private citizens and businesses also pay a charge for the same services.

3.16 Patents, Copyrights, and Designs

Appropriated funds available for making or procuring supplies may be used to acquire the following, if the acquisition relates to supplies or processes produced, or used by or for, or useful to the DoD ([10 U.S.C. § 3793](#)):

3.16.1. Copyrights, patents, and applications for patents;

3.16.2. Licenses under copyrights, patents, and applications for patents;

3.16.3. Design and process data, technical data, and computer software; and

3.16.4. Releases for past infringement of patents or copyrights or for unauthorized use of technical data or computer software (10 U.S.C. § 3793).

3.17 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. Submit an SF 1034, or electronic equivalent, to pay these expenses. The request for payment must include supporting documentation identifying the permit application fee and other related fees, approved by the base civil engineer or assigned designee.

3.18 Reciprocal Mutual Aid Agreements for Fire Protection

3.18.1. Claims for reciprocal mutual aid agreements for fire protection, as required by [44 CFR, part 151](#), are 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, subject to reimbursement by the DoD installation under whose jurisdiction the fire occurred.

3.18.2. 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, and an appropriation fund cite for fire protection funding so the Treasury can bill for reimbursement for approved claims paid.

3.18.3. All sums received as reimbursements for 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, credit the fund or appropriation currently available for the same purpose ([42 U.S.C. § 1856d\(b\)](#)).

3.19 Representation and Contingencies Fund Use

3.19.1. [Overview](#). 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.

3.19.2. [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 [DoDI 7250.13](#).

3.19.3. [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.” The following policies apply, depending on the type of payment involved.

3.19.3.1. [Miscellaneous Current Expenses](#). 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.

3.19.3.2. [Intelligence Contingency Funds](#). Expenses incurred using these funds are for confidential military purposes and are normally made based on a [DD Form 281](#), Voucher for Emergency or Extraordinary Expense Expenditures ([file has limited permissions](#)). The original vouchers (i.e., DD Form 281), must be returned to the originator. Refer to Volume 5, Chapter 9 for additional information on vouchers related to contingency funds.

3.19.3.3. [Investigation Expenses](#). Requests for reimbursement of expenses for other than confidential military purposes must be submitted on an SF 1034 or electronic equivalent. The originating office will 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 additional information on the handling of classified vouchers and documentation.

3.20 Special Drinking Water

In situations where water supply systems providing service to DoD organizations do not meet the standards prescribed in [40 CFR, part 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:

3.20.1. The public water is unsafe for human consumption;

3.20.2. There is an emergency failure of the water source on the installation;

3.20.3. There is a temporary facility with no drinking water available within a reasonable distance; or

3.20.4. There is no water fit for drinking purposes available without cost or at a lower cost to the Government.

3.21 Support of Armed Forces Personnel in Confinement

3.21.1. 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 will be paid from appropriated funds. The cost of health and comfort supplies provided to persons in a pay status will be charged against their pay accounts or paid from their personal funds.

3.21.2. 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, will 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.

3.22 Telephone and Television Service

3.22.1. Statutory Provisions

3.22.1.1. Appropriated funds should normally 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.

3.22.1.2. 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.

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

3.22.2. 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 payable, but will be subject to adjustment if the increase does not receive approval.

3.22.3. Payment Policy.

3.22.3.1. 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 billed, and ensure the related costs reflect charges for official or other authorized use.

3.22.3.2. 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, must 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 appropriation and fund deposit rules and regulations.

3.22.4. Teletypewriter Service. If telephone companies provide teletypewriter services, the charges, based on time used, will be processed in the same manner as the telephone charges identified in this section.

3.22.5. 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 \(OPNAVINST\) 2060.8B](#)). The communications officer must collect for unauthorized or unofficial charges on a DD Form 1131, Cash Collection Voucher, 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.

3.22.6. 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.

3.22.7. Telephone and Television Reconnection Charges

3.22.7.1. 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) that may be reimbursable under the PCS orders or other related regulations.

3.22.7.1.1. Payment is authorized for the following moves as directed by the base commander:

3.22.7.1.1.1. Mandatory assignment to Government-owned housing facilities,

3.22.7.1.1.2. Involuntary relocation to Government or non-Government facilities because of base renovation or condemnation proceedings, or

3.22.7.1.1.3. The termination of assigned quarters because of death of qualifying dependents.

3.22.7.1.2. Members are not authorized reimbursement for moves involving:

3.22.7.1.2.1. Voluntary termination of assigned quarters,

3.22.7.1.2.2. The termination of assigned quarters due to demotion to ineligible grade or adverse conduct by a member,

3.22.7.1.2.3. The termination of assigned quarters due to family separation (no hardship involved), or

3.22.7.1.2.4. Member's voluntary movement from off base to on-base quarters.

3.22.7.2. Reimbursement of the member's claim or a direct payment to the contractor is chargeable against the appropriation covered by the service.

3.22.7.2.1. 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.

3.22.7.2.2. 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 must be designed to ensure a duplicate reimbursement is not paid to the Service member at a subsequent time.

3.22.7.3. Support the reimbursement or direct payment to the contractor with the following:

3.22.7.3.1. The special order or letter directing the move;

3.22.7.3.2. 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 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

3.22.7.3.3. A copy of the telephone or television company invoice certified by the chief of services or base civil engineer showing only reconnection charges. All other charges are the responsibility of the member and must be paid separately.

3.23 Tuition and Training

3.23.1. 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](#) for additional tuition and training guidance.

3.23.2. Military Personnel. Tuition assistance for military personnel must be paid directly to the academic institution in accordance with the 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 must ensure specified annual and per course hour reimbursements do not exceed allowable limits and prevent duplication of payments.

3.23.3. Civilian Employee Training. A miscellaneous payment request is required for direct reimbursements to employees for necessary training expenses, such as books and supplies. Employees submitting requests for these reimbursements must use an 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.

3.23.3.1. The training must be a regularly scheduled, off-the-shelf course, training conference, or instructional service available to the 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 directly.

3.23.3.2. Prohibitions against the payment of tuition or other expenses for training include overtime, holiday, and night differential pay, or membership fees as outlined in the DoDI 1400.25, Volume 410 and 5 U.S.C. § 4109.

3.23.3.3. The [Joint Travel Regulations, chapter 3, part B](#) contains travel and transportation policy involving attendance at training.

3.23.4. 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.

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

3.24 Tuition Refunds

3.24.1. When the DoD Education Activity (DoDEA) determines refunds are payable to sponsors of tuition-paying students attending DoD operated schools, refunds will normally be a prorated amount of tuition when enrollment is terminated prior to the end of the grading period ([DoDEA Administrative Instruction 7200.01](#)). A refund of advance tuition payment is only authorized based on 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.

3.24.2. 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.

3.24.3. The entitlement office will pay the voucher after reviewing it for propriety and ensuring related funds are available in deposit fund accounts.

3.25 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. The Security Assistance Management Manual ([DoD 5105.38M, Chapter 10](#); 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 Optional Form ([OF 1164](#), Claim for Reimbursement for Expenditures on Official Business, SF 1034, or other Component-approved form, or electronic equivalent, and submit it along with a copy of the official orders to obtain reimbursement.

4.0 PROFESSIONAL LIABILITY INSURANCE (PLI)

4.1 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, not to exceed \$150 per year (see [5 U.S.C., chapter 59, subchapter IV](#) and [DoDI 1400.25, Volume 885](#)).

4.2 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 OF 1164, SF 1034, or other Component-approved form, or electronic equivalent, 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 they provide evidence 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 IRS Form W-2, Wage and Tax Statement, reporting.

5.0 GOVERNMENT CHARGE CARDS CENTRALLY BILLED ACCOUNTS (CBAs)

5.1 Government Charge Cards 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 [SmartPay3 contract](#) and applicable DoD-tailored task orders authorize the use of CBA programs for the DoD. The Government Travel Charge Card 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:

5.1.1. 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.

5.1.2. A unit travel card 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 designed to accommodate groups of travelers such as new recruits, prisoners, and foreign nationals participating in an official DoD-sponsored program or activity.

5.2 Policy

5.2.1. The [Office of Management and Budget Circular A-123 Appendix B](#), [A Risk Management Framework for Government Charge Card Programs](#), provides policy for Federal Government charge card programs.

5.2.2. 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.

5.2.3. Government centrally billed travel card policies are prescribed by [DoDI 5154.31, Volume 4](#), [Commercial Travel Management: DoD Government Travel Charge Card \(GTCC\) Program](#). Payment provisions are available in DoD Component regulations and Standard Operating Procedures.

5.3 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 Billing Office starts the PPA clock.

5.4 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 accountable officials for CBA programs. The certifying officer ensures that only certified payment packages are forwarded for payment.

5.5 Documentation

Accountable officials 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. Accountable officials 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 (DoDI 5154.31, Volume 4, [Commercial Travel Management: DoD Government Travel Charge Card \(GTCC\) Program](#)). Certifying officers must review the payment packages to ensure the information agrees with all supporting documentation before certification and submission to the entitlement office for payment. Volume 5, Chapter 15 prescribes responsibility for certifying officers to make records and supporting documents accessible to authorized users.

5.6 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. Approving officials 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.

5.7 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 all certified invoice payment packages undergo prevalidation to ensure the availability of funding. They must also ensure a DD Form 577 is on file to verify all manually and electronically certified payment packages.

5.8 Records Retention

Approving officials in the billing offices submitting CBA Billing Statements must ensure 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, Figure 9-1 for statutory retention requirements.

6.0 PAYMENTS UNDER REAL PROPERTY LEASES

6.1 Overview

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.

6.2 Rent

6.2.1. 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.

6.2.2. 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.

6.2.3. 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 supporting the payment, and be processed in accordance with the provisions of the lease. Refer to the Guidebook for preparation instructions of an SF 1034. Lease or rental payment transactions between intra-Governmental entities must be processed using the Intra-Governmental Payment and Collection (IPAC) System or the G-Invoicing process, as prescribed by the TFM, Volume 1, Part 2, Chapter 4700, [Appendix 5, Section 3](#), and [Appendix 8](#).

6.2.4. Reporting Rental Payments Made to Civilian Landlords. At the end of each calendar year, report yearly rental payments of \$600 or more to the IRS. Do not report payments to real estate agents. See the [DFAS Tax Office](#) website and Chapter 6 for additional information and policy concerning 1099 reporting.

6.3 Party Entitled to Rental Payment

6.3.1. If DoD occupies land under a lease, 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.

6.3.2. If DoD occupies land owned by several tenants-in-common under an agreement with one of them, and without objection by the others, such tenant-in-common is entitled to receive the rent.

6.3.3. If property leased to DoD sells on one day and the deed of conveyance is executed on another day, the grantee is entitled to receive the rental from the property only from and after the date of execution of the deed.

6.3.4. 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, payment is made to the titleholder on the due date.

6.4 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](#)).

6.5 Payment for Cost of Improvement of Rented Premises

DoD lease agreements must be clearly written regarding provisions for laying 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.

6.6 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.

6.7 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 correct amount of rent due upon termination of the lease.

7.0 PAYMENTS UNDER INDIVIDUAL SET-ASIDE CONTRACTS (ISAs)

Reimbursements made to medical health service providers serving under ISAs may be subject to Federal tax and the Federal Insurance Contributions Act depending on the terms of the contract. If required, payments made under ISAs will be reported by DoD at the end of the year to the IRS on a Form W-2 in accordance with Social Security Administration/IRS 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.

8.0 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 for 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.

9.0 INTRA-GOVERNMENTAL TRANSACTIONS

The TFM, Volume 1, Part 2, Chapter 4700, Appendices 5 and 8 prescribes policy for agencies to process intra-Governmental expenditure transactions through the IPAC system or the [G-Invoicing process](#). IPAC is an electronic internet-based collections and payment system. Refer to Volume 5 for additional policy regarding IPAC and [G-Invoicing](#).

9.1 Border Clearance Inspectors Overtime Expenses

9.1.1. If border clearance inspectors are required to work overtime, or on Sundays and holidays, at a DoD installation, the DoD installation must pay the overtime expenses incurred, including travel and subsistence in accordance with [19 CFR, 24.16](#) and [19 CFR, 24.17](#). 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.

9.1.2. If a DoD aircraft lands at a site other than a DoD installation, 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 accept the border clearance and inspection expenses. Financial managers must ensure funds are reserved to pay for these claimed expenses. The DoD official designated to make the necessary arrangements must maintain accurate 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 or [G-Invoicing](#) transaction.

9.2 GSA Payments, Where DoD Liability Exists for Damages to GSA Motor Pool Vehicles

9.2.1. Except for normal wear and tear, the DoD 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.

9.2.2. 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, section 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, section 101-39.406](#). Upon receipt of GSA's assessment of damages, use the IPAC system, [G-Invoicing](#), 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, register number of the [SF 91](#), Motor Vehicle Accident (Crash) Report, and, when applicable, include an [SF 94](#), Statement of Witness.

9.2.3. 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 required) with a 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**

Changes are identified in this table and also 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 [March 2022](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current guidance.	Revision
1.2.3	Removed Defense Transportation Regulation (DTR) reference, as the DTR prescribes transportation/movement procedures and is not an authoritative guidance.	Deletion

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CHAPTER 13

COMMERCIAL TRANSPORTATION PAYMENTS

1.0 GENERAL

1.1 Purpose

This chapter establishes policies and responsibilities within the 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 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 pays the commercial Transportation Service Provider (TSP).

1.2 Authoritative Guidance

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 the DoD.

1.2.1. [*Title 10, United States Code \(U.S.C.\), Chapter 157*](#) and [*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. Title 31 U.S.C. § 3726 also establishes the role of GSA in settling claims, identifies when claims must be filed with GSA, and identifies requirements for conducting and funding prepayment and post-payment audits.

1.2.2. [*DoD Instruction 5158.06*](#) and [*DoD Directive 4500.09*](#) govern the worldwide movement of passengers, cargo, and personal property for DoD.

1.2.3. [*Federal Acquisition Regulation \(FAR\), Part 47*](#) prescribes policies for applying transportation and traffic management considerations in the acquisition of supplies, and it prescribes policy for acquiring transportation or transportation-related services by contract methods.

1.2.4. [*Defense Federal Acquisition Regulation Supplement, Part 247*](#) contains additional transportation guidance as a supplement to FAR, Part 47 provisions.

1.2.5. [*Title 41, Code of Federal Regulations \(CFR\), Part 102-118*](#), 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.

1.2.6. The following laws and regulations provide guidance for payment of Non-Temporary Storage (NTS) and local drayage of Household Goods (HHG):

1.2.6.1. [Title 5 U.S.C. § 5726](#);

1.2.6.2. [Title 41 CFR 302-8](#); and

1.2.6.3. [Joint Travel Regulations \(JTR\)](#).

2.0 POLICY

2.1 Valid Line of Accounting (LOA)

Every transportation shipment, when initiated, must have a valid LOA to include the Standard Document Number, or in its 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.

2.1.1. The Transportation Officer (TO) or the Traffic Management Officer (TMO) will not provide transportation services 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 Fund Manager (FM) or financial management official.

2.1.2. 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.

2.1.3. For further guidance and exceptions regarding the LOA and TAC, please refer to [Defense Transportation Regulation \(DTR\) 4500.9-R, Part II](#), Appendix V and attachments.

2.2 Funded Line of Accounting (LOA) and Associated Transportation Account Code (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), or the associated TAC, before entering the Government into a contract with a carrier. The FM verification may be annotated on the Movement Request Order, usually a DoD [\(DD\) Form 1348-1A](#), Issue Release/Receipt Document, or [DD 1149C](#), Requisition and Invoice/Shipping Document.

2.3 Anti-Deficiency Act (ADA)

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 ADA under [31 U.S.C. § 1341](#). See Volume 14, Chapters 2 and 3 for additional information concerning appropriations and violations of the ADA.

2.4 Internal Controls

Internal controls must 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 Chapter 1 for additional policy specific to internal controls.

3.0 RESPONSIBILITIES

3.1 United States Transportation Command (USTRANSCOM)

Per DoD Instruction 5158.06, 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 component commands: Surface Deployment and Distribution Command, Military Sealift Command, and Air Mobility Command. USTRANSCOM operates two subordinate commands: Joint Transportation Reserve Unit and Joint Enabling Capabilities Command.

3.2 Defense Finance and Accounting Service (DFAS)

DFAS maintains the software/database support for the Transportation Global Edit Table (TGET).

3.2.1. TGET is a centralized repository that contains established transportation LOAs formatted in accordance with Service/Agency LOA requirements and associated TACs.

3.2.2. Each Component is responsible for updating the TGET and ensuring it contains valid LOAs and TACs.

3.3 Shipping Customers

Shipping customers can be individuals (Service members or civilian employees), 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.

3.4 Transportation Officer (TO) and Traffic Management Officer (TMO)

TOs and TMOs 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:

3.4.1. Preparing and editing shipment documentation to ensure quality electronic data and timely submission to support total movement shipment processes;

3.4.2. Reviewing shipment requests presented by the shipping customer to ensure that the approved funding and shipping documents fully support each shipment request;

3.4.3. 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

3.4.4. Resuming the shipment request process when written or electronic verification of a corrected LOA, or other required shipping and supporting documents, is received.

3.5 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:

3.5.1. Maintain and issue authorizations to use LOAs, based on requests, to ensure their appropriate use and the availability of sufficient funding;

3.5.2. Coordinate and administer changes and modifications to LOAs and ensure updated data is uploaded to the TGET when necessary;

3.5.3. Provide a properly formatted LOA and associated TAC for input into the shipper system when utilizing electronic processing and third-party billing;

3.5.4. Coordinate with the appropriate finance and accounting office to resolve edit exceptions encountered in the obligation and accrual recording and invoice payment processes;

3.5.5. Work with the TO/TMO and/or certifying officer to correct fund citation edit exceptions;

3.5.6. 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);

3.5.7. Monitor execution of transportation costs and make adjustments as needed; and

3.5.8. Coordinate with the contracting officer and/or TO/TMO in addressing any issues associated with transactions that have not yet been certified for payment.

3.6 Certifying Officer

Certifying officers are properly qualified and trained individuals designated in writing by the activity commander and will perform their duties in accordance with Volume 5, Chapter 5. All certifying officers will be appointed using a [DD 577](#), Appointment/Termination Record – Authorized Signature. Certifying officers are responsible for:

3.6.1. Ensuring the accuracy of facts stated on a voucher to include the supporting documents and records, pursuant to [31 U.S.C. § 3528](#);

3.6.2. Ensuring accurate computation of vouchers under 31 U.S.C. § 3528 and [31 U.S.C. § 3325](#);

3.6.3. Ensuring the legality of a proposed payment under the appropriation or fund involved, pursuant to 31 U.S.C. § 3528;

3.6.4. Ensuring that when a manual, electronic, or digital signature is affixed to a voucher, the certifying officer 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;

3.6.5. Ensuring the use of and certifying a [Standard Form \(SF\) 1113](#), Public Voucher for Transportation Charges, and ensuring the form includes the correct amount and fund cites when processing documents such as requests for payments, invoices, and other transportation documents;

3.6.6. Forwarding the certified SF 1113, with the attached supporting documents, to the proper payment office for recording into the accounts payable system and disbursement of payment to the provider;

3.6.7. Returning, and not certifying, vouchers which are inaccurate, inadequate, improper, incorrect, impermissible by law, or contain invalid or inadequate funding information; and

3.6.8. Performing additional duties and responsibilities of certifying officers concerning the review, reconciliation, and certification of the DoD Third Party Payment System (TPPS) monthly summary invoices as discussed in paragraph 10.3.

3.7 Payment Office

Each payment office will:

3.7.1. Provide finance and accounting support to designated shipping customers, FMs, TOs/TMOs, and certifying officers;

3.7.2. Ensure that a valid electronic record of the transportation obligation is posted in the accounting system prior to disbursing funds;

3.7.3. Record accruals, if appropriate, and then disburse payment upon receipt of the certified request for payment or electronic data feeds. See Volume 4, Chapter 9 for additional information;

3.7.4. Ensure that commitment, obligation, accrual, and expense transactions are reconciled and processed into the appropriate accounting systems. See Volume 3, Chapter 8, and Volume 4, Chapter 9 for additional information;

3.7.5. Send electronic funds transfer disbursement to the vendor or third-party payer with an accompanying remittance advice; and

3.7.6. Collect any overpayments, as required. See Volume 16 for additional information.

3.8 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 TSP and [the contracting officer](#) and the payment office. See sections 4.0 and 9.0 for additional policy concerning transportation audits, reviews, and TSP claims.

3.9 Transportation Service Provider (TSP)

The TSP is the commercial provider of transportation services for either freight or HHG.

3.9.1. The TSP certifies that the shipment has been delivered in good condition and submits certified invoices for payments of services rendered.

3.9.2. The certified invoice is sent to the activity designated in the shipping request.

3.10 Contracting Officer

A contracting officer is a U.S. military officer or civilian employee who has been properly appointed on a [SF 1402](#), Certificate of Appointment.

3.10.1. 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 2.1](#).

3.10.2. Within the context of this chapter (for transportation charges falling outside of TPPS processes) the contracting officer:

3.10.2.1. Prepares solicitations and contracts for transportation and/or transportation-related services;

3.10.2.2. Specifies authorization of prepaid freight in contracts;

3.10.2.3. Ensures that the requirements of the DTR 4500.9-R are included in appropriate contracts for all applicable shipments and enforces these requirements concerning shipments under their control; and

3.10.2.4. Includes in the solicitation and contract all applicable services, provisions, clauses, and instructions concerning first destination transportation charges and electronic invoicing. The solicitation and contract must also identify a separate LOA for prepaid freight.

4.0 PAYMENT, AUDITS, AND COLLECTIONS

4.1 Request for Payment

The payment 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 certifying officer. Transportation payments will be made by the payment office designated in the contract.

4.2 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 U.S. Government must verify its correctness (to include transportation rates, freight classifications, or proper combinations thereof) using a prepayment audit, in accordance with regulations prescribed by the GSA. 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.

4.2.1. 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, as prescribed in 31 U.S.C. § 3726(g).

4.2.2. The [GSA Transportation Audits Division](#) keeps a central repository of electronic transportation billing records for legal and audit purposes. Therefore, the DoD must forward all

relevant electronic transportation billing documents to GSA as soon as possible following the end of the month; this is accomplished by the TPPS contractor which provides all shipping and payment data available in support of DoD transportation payments ([FAR 47.103-1](#) and 41 CFR 102-118.80).

4.2.3. The payment office must ensure, during its prepayment audit of a hardcopy (non-TPPS) TSP bill, that the TSP filled out the SF 1113 completely, including the taxpayer identification number and standard carrier alpha code. An SF 1113 must accompany all hardcopy (non-TPPS) billings (41 CFR 102-118.100).

4.2.4. In accordance with 41 CFR 102-118.280, [31 U.S.C. § 3521\(b\)](#), and [GAO's Policy and Procedures Manual for Guidance of Federal Agencies, Title 7](#), statistical sampling is permitted on TSP bills under \$2,500. See Volume 5, Chapter 5, section 6.0 for additional details concerning statistical sampling.

4.2.5. In accordance with 31 U.S.C. § 3726(a)(3), expenses for prepayment audits must be funded by DoD appropriations used for the transportation services.

4.3 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.

4.3.1. Unless specified differently in the contract, transportation charges must be paid within 30 days after the original completed BOL reaches the designated billing office, and the carrier certification, as described in paragraph 4.4, is completed on the document.

4.3.2. 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.

4.3.3. Refer to Chapter 7 for additional PPA policy.

4.4 Certified Invoice

Transportation invoices must be certified by the carrier that the shipment has been delivered in good order and condition. A TSP cannot demand advance payment for transportation charges submitted on a BOL, per 41 CFR 102-118.200.

4.5 General Services Administration (GSA) Post-Payment Audit

A carrier's BOL and the supporting documents, which represent payments made by agency payment 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).

4.5.1. GSA reviews the carrier's transportation rates, freight classification, and other information for correctness during the audit and has a number of applicable actions it can take based on post-payment review outcomes (41 CFR 102-118.430 and 41 CFR 102-118.435).

4.5.2. Expenses of post-payment audit contract administration and audit-related functions are financed from overpayments collected from the TSP's bills previously paid by the DoD and similar type refunds (41 CFR 102-118.440).

4.6 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 on the reasons listed in these two cited statutes (41 CFR 102-118.160).

4.6.1. If an overpayment results from the use of improper transportation rates, classifications, or from the failure to deduct the proper amount, the disbursing officer or certifying officer will normally not be held liable for overpayments.

4.6.2. Relief of liability may normally be granted when the certification was based on official records and the certifying officer 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.

4.7 Collection / Offset of Overcharges

The Director of the GSA Transportation Audits 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 payment office will offset, as appropriate, any overcharge amounts due the United States from an unpaid carrier's bill. [The GSA has the authority to audit but only has the authority to adjudicate and settle when there is a dispute between the contractor and a government party to the contract.](#)

4.7.1. The payment office will inform GSA if they do not have, and are not likely to have, a subsequent voucher to collect an overcharge.

4.7.2. GSA then handles the collection 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.

4.7.3. The payment office must report all voluntary refunds to the GSA Transportation Audits Division (so that no Notice of Overcharge or financial offset occurs), unless other arrangements are made (41 CFR 102-118.500(a)).

4.7.4. Once a Notice of Overcharge is issued by the GSA Transportation Audits Division, then any refund is no longer considered voluntary, and the payment office must forward the refund to the GSA Transportation Audits Division (41 CFR 102-118.500(b)).

4.7.5. 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.

5.0 TRANSPORTATION PAYMENT DOCUMENTATION

5.1 Prescribed Forms

The DoD may receive payment requests for transportation and related services in various forms, such as paper or electronic BOLs, or periodic billing statements. 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 4500.9-R.

5.2 Commercial Bills of Lading (BOL)

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 the GSA's and DoD's ongoing initiatives to maximize electronic processing of transportation documents. In its electronic form (i.e., without the issuance of a hard-copy Government BOL), the commercial BOL is referred to as a "virtual" Government BOL.

6.0 TRANSPORTATION DELIVERY TERMS

6.1 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 47.3](#) for additional details.

6.1.1. 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.

6.1.2. 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 must not be paid.

6.1.3. Most Advantageous Delivery Point. If the shipping contract includes both FOB origin and FOB destination delivery terms, the payment 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.

6.2 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.

6.2.1. When providing goods, the TSP can be authorized reimbursement for prepaid freight within their contracts.

6.2.2. 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.

6.2.2.1. 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 must 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.

6.2.2.2. For cost reimbursement contracts, the contractor must send freight bills to the contracting officer for a pre-payment audit, per [FAR 47.103-2](#).

6.2.2.3. 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:

6.2.2.3.1. The underlying contract specifies retention by the contractor of all records for at least 3 years after final payment under the contract;

6.2.2.3.2. The contractor agrees to furnish evidence of payment when requested by the Government; and

6.2.2.3.3. 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.

6.2.2.4. 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:

6.2.2.4.1. The contractor cannot reasonably provide a receipted bill; and

6.2.2.4.2. 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. [Any alternation in rates incorporated and/or applied from another department policy or regulation must also include identified equipment in addition to commodity, destination, and origin.](#)

6.2.3. When deliveries are made at points other than the designated FOB point, the contracting officer will make an adjustment in the contract price that corresponds to the resulting increase or decrease in the amount of freight charges.

6.2.4. 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.

6.2.5. 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.

6.2.6. 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.

6.3 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).

6.3.1. 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.

6.3.1.1. If a contractor is directed by a contracting officer to ship FOB origin via parcel post, then postal charges are reimbursable.

6.3.1.2. The contractor must list this expense as a separate item on the invoice.

6.3.1.3. Charges are included in accounting records as a part of the cost of material.

6.3.2. 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).

6.3.3. 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.

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

6.3.5. 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 BOLs. 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).

6.3.6. GSA does not audit fixed price contractor prepaid freight charges.

6.3.7. Contractors directed to prepay freight may maintain charge accounts with companies specializing in delivery of small parcels.

6.4 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 excessive freight charges and provide that determination to the payment office before any approved adjustments to payments can be made by the payment office.

6.4.1. 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.

6.4.2. 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).

6.4.3. 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 costs.

6.4.4. 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.

6.4.5. 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).

6.5 Funding Determination Guidelines

When Government property is shipped from one point to another, specific guidelines will be applied to determine the appropriation or fund to be charged for transportation.

6.5.1. Transportation charges are applied to the fiscal year and the appropriation in which they accrue, as stated in the contract.

6.5.2. 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.

6.5.3. 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.

6.5.4. Transportation charges incurred for transporting exchange or commissary supplies are charged to the applicable exchange fund or to the Defense Commissary Agency.

6.5.5. 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.

6.5.5.1. For FOB origin shipments, destination sites will furnish procurement officials with any available information to support the shipper's claim for damage(s).

6.5.5.2. If freight is damaged in shipment, then follow the requirements of the DTR 4500.9-R, Part II, Chapter 209 for reporting damages.

6.6 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, the Government 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 \(2\)](#):

6.6.1. If deducted due to 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; or

6.6.2. 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.

6.7 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.

7.0 NON-TEMPORARY STORAGE (NTS) AND LOCAL DRAYAGE OF HOUSEHOLD GOODS (HHG)

7.1 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.

7.1.1. 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, movement, packing/unpacking, and crating/uncrating necessary to transport the HHG to and from the designated storage facility.

7.1.1.1. NTS authority is normally included in the permanent change of station (PCS) travel authorization/order and must 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 ([section 11.0](#)). Follow these same obligational criteria for storage of a privately owned vehicle (POV).

7.1.1.2. 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. § 3133](#). A contract that crosses fiscal years must have a period of performance not to exceed 1 year. Refer to Volume 3, Chapter 8 ([subparagraph 3.4.2](#)) for additional information regarding distinctions between severable and non-severable services in the context of a contracting activity procuring services on behalf of customer organizations.

7.1.1.3. All Invoices for NTS services are processed electronically through a TPPS using the policy provided in section 10.0.

7.1.2. Local Drayage. Local drayage includes hauling HHG to a designated storage facility.

7.1.2.1. The TO/TMO responsibilities include the following actions concerning the processing of invoices pertaining to local drayage of HHG:

7.1.2.1.1. Receiving and verifying invoices with supporting documents from the ordering officer;

7.1.2.1.2. Documenting the service for local drayage has been performed and determining the entitlement pertaining to beginning and ending periods of storage and excess weight;

7.1.2.1.3. Certifying the invoiced services have been performed;

7.1.2.1.4. Verifying with the Family Housing Management Office or Billeting Office regarding entitlement to local drayage incident to assignment of Government quarters; and

7.1.2.1.5. Preparing, approving, and certifying the [SF 1034](#), Public Voucher for Purchases and Services Other Than Personal, and forwarding it to the proper payment office with documents to support these entitlements for recording into the accounts payable system and for disbursement of the payment to the provider.

7.1.2.2. When moving HHG to or from storage locally (drayage), the TO/TMO will:

7.1.2.2.1. Provide to the payment office a copy of the invoice containing a certificate of performance signed by both the contractor and ordering officer; a copy of the [DD 1164](#), Service Order for Personal Property; a copy of the [DD 1299](#), Application for Shipment and/or Storage of Personal Property; and a copy of any special orders or other authority; and

7.1.2.2.2. Provide to the ordering office a copy of the paid removal from storage voucher.

7.1.2.3. The payment office responsibilities include the following actions concerning the processing of invoices pertaining to local drayage of HHG:

7.1.2.3.1. Certifying funds availability on the basis of a purchase order request and record obligations based on receipt of a [DD 1155](#), Order for Supplies or Services, with the coordination of the FM;

7.1.2.3.2. 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; and

7.1.2.3.3. Obtaining a copy of the obligating document and the contractor's invoice to support the payment voucher.

7.2 Military Members

7.2.1. See JTR, Chapter 5, Part C, Section 0513 and 0514 for details concerning HHG weight allowances.

7.2.2. See JTR, Chapter 5, Part C, Section 0518 for details concerning HHG storage.

7.2.3. 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.

7.3 Civilian Employees

7.3.1. 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.

7.3.2. As stated in the JTR, Chapter 5, Part F, Section 543, 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).

7.3.3. As stated in the JTR, Chapter 5, Part F, Section 543, 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 not to exceed the tour of duty.

8.0 MISCELLANEOUS TRANSPORTATION PAYMENTS

8.1 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 coupled together, has one or more sets of wheels on the roadway during the course of transportation. 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 4500.9-R, Part II, Chapter 202 for additional information concerning drive-away service.

8.2 Meal Checks

Meal checks are used by DoD recruits, including the Department of Homeland Security Coast Guard recruits, while in transit from the Military Entrance Processing Stations (MEPS), under the command of the U.S. Military Entrance Processing Command (USMEPCOM), 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 JTR.

8.2.1. 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.

8.2.2. The MEPS will use the USMEPCOM's automated USMEPCOM Integrated Resource System (USMIRS) to issue computer-generated meal checks.

8.2.2.1. The MEPS USMIRS will print the allowable amount on the meal check depending on the type of meal authorized. The rates per meal for members are in the JTR, Chapter 2, Section 0203.

8.2.2.2. The MEPS TA will inform the recruit that he/she cannot write meal checks for amounts that exceed the applicable amount authorized in the JTR. Meals may be acquired at a lower cost. The recruit will be responsible for any costs that exceed the authorized amount published in the JTR, Chapter 2, Paragraph 020306.

8.2.2.3. Meal checks are valid at all airport restaurants owned, operated, or contracted by Host Marriott Services Corporation and most other food vendors.

8.2.2.4. The vendors will not give the recruits any change if the cost is less than the amount stated on the meal check.

8.2.3. Meal checks must not be used:

8.2.3.1. To buy alcoholic beverages;

8.2.3.2. When travel is by commercial aircraft, and passage rates include meal service;

8.2.3.3. When an advance allowance of per diem has been received;

8.2.3.4. When any portion of travel is OCONUS; or

8.2.3.5. For payment of a gratuity.

8.2.4. 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 payment office will reimburse the bank by electronic funds transfer.

8.2.5. See DTR 4500.9-R Part I, Appendix M for additional information concerning meal checks.

8.3 Meal Tickets

Meal tickets may be issued to all authorized users under the JTR provisions, with the exception of recruits assigned to MEPS. Meal tickets may be issued only as specifically authorized in the DTR 4500.9-R 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 4500.9-R, Part I, Passenger Movement, Appendix M for details concerning meal tickets.

8.3.1. Meal tickets must not be used:

8.3.1.1. To buy alcoholic beverages;

8.3.1.2. When travel is by commercial aircraft, and passage rates include meal service;

8.3.1.3. When an advance allowance of per diem is received;

8.3.1.4. For travel of civilian employees;

8.3.1.5. For travel of military dependents, except when a dependent is authorized per diem for the purpose of escorting a deceased military sponsor; or

8.3.1.6. For payment of a gratuity.

8.3.2. Reimbursement of contractors accepting meal tickets will be accomplished in the following manner:

8.3.2.1. The contractor submits the original meal ticket(s), DD 652, attached to an invoice;

8.3.2.2. 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 ticket is shown on the SF 1034;

8.3.2.3. 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;

8.3.2.4. 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;

8.3.2.5. Charge the appropriation and allotment cited on the meal ticket with the payment amount; and

8.3.2.6. 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.

9.0 CLAIMS BY TRANSPORTATION SERVICE PROVIDER (TSP)

9.1 Filing Claims

A TSP may file a claim for the following reasons (41 CFR 102-118.450):

9.1.1. Amounts considered to be owed to the TSP but were not included in the original billing;

9.1.2. Amounts that were deducted or offset by the payment office that are disputed by the TSP;

9.1.3. Amounts that were previously refunded by the TSP in error; or

9.1.4. Unpaid original bills requiring direct settlement by GSA, including those subject to doubt about the suitability of payment (mainly bankruptcy or fraud).

9.2 Claims Resolution /Appeals

If a claim is sent by a TSP to a payment office, they must make every reasonable and legal effort to resolve the dispute directly with the TSP.

9.2.1. If resolution is not possible by the original payment office, the claim must be forwarded to the GSA Transportation Audits Division.

9.2.2. Claims forwarded to the GSA Transportation Audits 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):

9.2.2.1. The date of receipt of the invoice by the payment office when the demand for payment is refused by the payment office;

9.2.2.2. The date of payment; or

9.2.2.3. The date of deduction on subsequent amounts paid (if the payment office offsets subsequent bills submitted by the TSP).

9.2.3. If the TSP does not agree with the decision of the GSA Transportation Audits Division, then the TSP may appeal to the [Civilian Board of Contract Appeals](#) or file a claim with the U.S. Court of Federal Claims.

9.2.4. Appeals of GSA Transportation Audits 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.

9.3 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.

9.3.1. Once a decision is made, interest may accrue beginning 30 days from the date of settlement.

9.3.2. Similarly, if a TSP appeals the decision of an agency to the GSA Transportation Audits Division or to the Civilian Board of Contract Appeals, then interest penalties do not accrue until 30 days after a decision is rendered.

9.3.3. 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.

10.0 DoD THIRD PARTY PAYMENT SYSTEM (TPPS)

10.1 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 for review and approval by an authorized certifying officer. The payment office will compute and pay interest based on payment terms specified in the TPPS contract.

10.2 Internal Control and System Access

All DoD Components utilizing the TPPS service must implement local internal controls to prevent, detect, and report unauthorized transactions as outlined in Chapter 1, Section 2.0. All managers will ensure adequate separation of duties and limit system access to only those individuals necessary to accomplish their assigned tasks. The policy cited in subparagraph 10.3.2 concerning annual reconciliations reinforces existing policy prescribed in the DTR, Part II, Chapter 212, and Part V, Appendix A, which identifies specific reviews and controls that must occur to ensure the timely and accurate processing of transportation bills. DoD Components and transportation offices must work closely with the DFAS to perform root cause analysis and develop both automated tools and business process solutions to improve the efficiency and effectiveness of the reconciliation process, including the use of Advanced Analytics if feasible. The infrastructure should also include performance metrics for Component accountability.

10.3 Certification, Reconciliation, and Payment Processing

Refer to the DTR 4500.9-R, Part II, 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.

10.3.1. The certifying officer is responsible for reviewing and certifying the monthly invoices. As part of this review, they must ensure the invoices contain valid and adequate funding information, are accurate, correct, and permissible by law, and must identify any transactions that do not belong to their TPPS account. Certification criteria outlined in paragraph 3.6, the DTR 4500.9-R, Part II, Chapter 212, and Volume 5, Chapter 5 must be applied.

10.3.2. The certifying officer, 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. All transportation accounts must be reconciled and paid in full on an annual basis, by the end of the first quarter following the end of the fiscal year (FY). For example, all charges on a transportation account that occurred during FY 2021 are required to be reconciled and paid in full by the end of the first quarter, FY 2022. The certifying officer will communicate any reconciliation issues to the payment office in a timely manner, as appropriate.

10.3.3. The certifying officer is responsible for returning, and not certifying, invoices that do not contain valid and adequate funding information, or are not accurate, correct, or permissible by law.

10.3.4. In addition to assisting the certifying officers when necessary, the payment office must ensure that the TPPS monthly invoice is paid in a timely manner. Any late payments will be assessed the proper PPA interest penalty. All interest penalties paid will appear in the subsequent month's fees and adjustment section of the monthly summary invoice and must be reconciled with the total and interest payments previously made.

VOLUME 10, CHAPTER 16: “PAYMENT FOR POSTAL SERVICES AND SMALL PACKAGE DELIVERY COSTS”

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also 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 [February 2022](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions, and added source references throughout.	Revision
All	Removed references throughout to the DoD 4525.8-M “DoD Official Mail Manual” as it was canceled by DoD Instruction 4525.09, effective May 24, 2022.	Deletion

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CHAPTER 16

PAYMENT FOR POSTAL SERVICES AND SMALL PACKAGE DELIVERY COSTS

1.0 GENERAL

1.1 Purpose

This chapter provides DoD policy on processing payments to the U.S. Postal Service (USPS) for various types of postal services, to non-Government service providers, and for commercial small package delivery costs. Refer to Chapter 8 for additional information concerning general payment policies such as electronic invoicing requirements, prevalidation, the use of electronic and digital signatures, supporting documentation requirements, and the requirement for tax identification numbers. Volume 5, Chapter 5 provides policy concerning payment certification requirements.

1.2 Authoritative Guidance

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

1.2.2. [Title 39, CFR 501.15](#) provides policy on the Computerized Meter Resetting System (CMRS).

1.2.3. The DoD Instruction [\(DoDI\) 4525.09](#), “Military Postal Service;” and DoD [Directive 5101.11E](#), “DoD Executive Agent for the Military Postal Service and Official Mail Program,” contain policy for official DoD mail management.

2.0 PAYMENTS

2.1 Methods of Payment for Postage

2.1.1. [Title 41, CFR, Subpart B, § 102-192.50](#) establishes the following payment policy and methods for paying the USPS:

2.1.1.1. The U.S. Department of Treasury (Treasury) Intragovernmental Payment and Collection (IPAC) process associated with the Official Mail Accounting System (OMAS);

2.1.1.2. The USPS Centralized Account Processing System ([CAPS](#)) associated with commercial payments;

2.1.1.3. Another Treasury-approved means of paying the USPS; or

2.1.1.4. Treasury’s G-Invoicing program for Intra-Governmental buy-sell transactions, as Components/USPS develop the systemic and processing capabilities (see the [Treasury Financial Manual, Volume 1, Part 2, Chapter 4700, Appendix 8](#) and the [Fiscal Service](#) for additional guidance).

2.1.2. Effective April 1, 2019, the USPS required the migration of eligible mail services and products from CAPS to their new Enterprise Payment System (EPS) (see [USPS.com](https://usps.com)). Products not currently supported by the EPS will continue to be supported through CAPS. See [USPS PostalPro](#) for additional information on supported products, as well as User Guides, Frequently Asked Questions, and fact sheets.

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

2.2 Payment to Service Providers

Metered or permit-mail payments must be made using 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.

3.0 INSTALLATION OFFICIAL MAIL MANAGERS (OMM)

3.1 OMM Appointment

The DoDI 4525.09 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, and noncommissioned officers (Enlisted-6 or higher), or DoD civilians (General Schedule-9 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 inherently Governmental, those duties will not be contracted out.

3.2 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; acquisitioning 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.

3.3 DoD OMM Reporting

The DoD OMM must provide an annual Mail Management Report to GSA when the Agency's collective total payments for mail service expenditures equal or exceed \$1 million per fiscal year ([*GSA Federal Management Regulation, Subchapter G, § 102-192.85*](#)).

4.0 CENTRALIZED TRUST AND DEBIT ACCOUNTS

4.1 CAPS and Centralized Trust Accounts

DoD Components can establish a centralized trust account with the USPS by enrolling in CAPS. 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, 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:

4.1.1. Centralized trust account. DoD Components deposit funds electronically via standard 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.

4.1.2. 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.

4.1.3. 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.

4.1.4. Advance Deposit Trust Accounts. 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.

4.2 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 (BRM) 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 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.

4.3 Centralized Trust and Debit Account Payment Process

4.3.1. The OMM must request funds to set up or replenish each centralized trust or debit account by preparing and submitting a Standard Form [\(SF\) 1034](#), Public Voucher for Purchases and Services Other Than Personal. The OMM must ensure funds are available and approved by the designated approving official and a properly appointed certifying officer.

4.3.2. 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.

4.3.3. One SF 1034 can establish or replenish more than one trust or debit account. The SF 1034 must identify the amount to be 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 1017-G](#), Journal Voucher, or equivalent to record the transfer between accounts.

4.3.4. 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 to provide a greater tracking capability of postal expenditures. All Official Mail and Distribution Centers must maintain this information. The OMM must submit a written letter to the USPS to correct account errors.

4.3.5. 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 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.

4.3.6. There are cases where the USPS refunds cash for unused services in a trust or debit account. The OMM 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. Every copy of this form is uniquely barcoded and is no longer available online at the USPS website. The OMM must contact the local Post Office to secure a PS 3533 for each refund

transaction. The OMM will submit the USPS refund check to the designated disbursing office with a DoD [Form 1131](#), Cash Collection Voucher, for deposit as a collection.

5.0 POSTAL METERS

5.1 CMRS Agreements

DoD customers must enter into an agreement with the USPS for authorization to use postage evidencing systems (e.g., via electronic click-through or contract signature), in conjunction with executing a separate agreement with an authorized provider for rental, lease, or use of a postage evidencing system as prescribed by the [Domestic Mail Manual, section 604.4.0](#), “Postage Meters and PC Postage Products (“Postage Evidencing Systems”).” The [PS Form 3615](#), Mailing Permit Application and Customer Profile, must be completed and submitted to the USPS if the DoD mailer will be using a postage evidencing system.

5.2 Commercial Meter Settings

In accordance with 39 CFR 501.15, the USPS accepts payment through 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 the 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.

5.3 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 USPS will issue a refund in the amount remaining in a customer's CMRS account, after the customer provides a written request to the provider. The refund request must meet the USPS approved minimum amount and time frame (39 CFR 501.15(h)). Subparagraph 4.3.6 contains the guidelines for requesting refunds.

5.4 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.

6.0 MISCELLANEOUS PAYMENTS

6.1 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, and other document services, from DLA at the [DLA Document Services](#) link.

6.2 Postage Stamps

All DoD activities must use only prepaid postage. In instances where the environment will not support the electronic processes, the OMM that purchases 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 by responsible commanders or their designated representatives, postal officers, and Military Post Office supervisors.

6.3 BRM

6.3.1. 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 a PS 3615 to the local post office. The OMM uses a copy of the completed PS 3615 to support the SF 1034. Attach a postal receipt certified by the OMM to the SF 1034. For information on BRM, refer to the [Domestic Mail Manual, section 505](#).

6.3.2. 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 505.1.1.9 for the conditions in which an advance deposit account can be used.

6.4 Postage Due Costs

6.4.1. 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.

6.4.2. 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.

6.4.3. 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, paragraph 6.3](#)).

6.5 Address Correction Costs

Costs for address correction in CAPS is an ancillary service and must be paid by EFT. Supporting documentation must accompany each payment request for processing.

6.6 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; refer to section 4.0. The OMM submits [PS Form 5639](#), USPSCA 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.

7.0 SMALL PACKAGE DELIVERY COSTS

7.1 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 102-118.130](#)), rather than Government Bills of Lading, to procure express transportation services for small package shipments weighing up to 150 pounds.

7.2 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.

7.3 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 Secretary of Defense (Transportation Policy) in accordance with the [Defense Transportation Regulation, Chapter 212, section C.3](#). 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 19: “PAYMENT PROVISIONS FOR GRANTS AND OTHER INSTRUMENTS OF ASSISTANCE”

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also 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 2022](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative guidance.	Revision
2.3	Added clarifying language and reference to Treasury Fiscal Service Vendor Guidance concerning the use of the Automated Clearing House process for making payments electronically.	Addition

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CHAPTER 19

PAYMENT PROVISIONS FOR GRANTS AND OTHER INSTRUMENTS OF ASSISTANCE

1.0 GENERAL

1.1 Purpose

This chapter provides policy for the proper administration and payment of funds under DoD grants, cooperative agreements, and other instruments of assistance. Policy is also included for cash management, financial reporting, and debt collection associated with these instruments. Refer to Volume 3, Chapter 8 for policy when recording obligation of funds for grants or agreements and Volume 12, Chapter 5 for accounting policy concerning these instruments.

1.2 Authoritative Guidance

1.2.1. [Title 31, United States Code \(U.S.C.\), Chapter 63](#) provides criteria for agencies to use in determining when a grant or cooperative agreement is the appropriate legal instrument between the U.S. Government and a state or local government, or other recipient.

1.2.2. [Title 32, Code of Federal Regulations \(CFR\), Part 22](#) outlines grants officers' and DoD Components' responsibilities related to the award and administration of grants and cooperative agreements.

1.2.3. [Title 2, CFR, Subtitle A and Subtitle B](#) prescribe Office of Management and Budget (OMB) guidance and Federal agency regulations for grants and agreements.

1.2.4. [DoD Directive 3210.06](#), "Defense Grant and Agreement Regulatory System (DGARS)," assigns the Assistant Secretary of Defense for Research and Engineering the responsibility for developing and implementing DGARS policies and procedures through the issuance of the DoD Grant and Agreement Regulations (DoDGARs). The DoDGARs is codified at [2 CFR, Subtitle B, Chapter XI](#) and [32 CFR, Subchapter C, Parts 21-37](#) and, as necessary, DoD instructions and other issuances.

2.0 SUBMISSION AND PAYMENT RESPONSIBILITY

2.1 Administering Office

2.1.1. The office that issues the grant or cooperative agreement (grants officer) distributes a copy of the award to the office designated to administer the instrument of assistance, and will also promptly distribute award documents, modifications, and electronic funds transfer (EFT) information to the designated payment office ([32 CFR 22.605](#)). If the DoD awarding office is using a grant payment system in which the awarding office must enter the relevant details of the award into the payment system (e.g., Automated Standard Application for Payments), then this distribution is not required.

2.1.2. The award recipient will certify and forward payment requests for the performance period to the administering grants office or required payment request system. The responsibilities of the administering grants office related to payment requests are specified in [32 CFR 22.810](#). When the DoD awarding office is not using a grant payment system as described in 2.1.1, payment requests are required to be submitted and authorized in accordance with [32 CFR 22.810](#), and the administering grants office must review and certify that the payment request or electronic equivalent is legal, proper, and correct (Volume 5, Chapter 5). The administering grants office also ensures the request for payment complies with the award terms and the recipient will not have excess cash on hand, based on expenditure patterns.

2.1.3. See www.grants.gov for additional information and guidance on managing and administering grants.

2.2 Designated Payment Office

The award must designate the specific payment office that will make payment (typically the Defense Finance and Accounting Service (DFAS)). The payment office must verify the propriety, adequacy, and completeness of any required documentation to substantiate amounts to be paid by the DoD. The payment office must retain all hardcopy award documentation, or have access to electronic award documentation, supporting the payment file.

*2.3 Electronic Payment Process

Electronic commerce is the preferred method to submit and process payment requests in accordance with 32 CFR 22.810(b)(3). Payment by EFT is a requirement of 32 CFR 22.810(b)(2) and [31 CFR 208.3, Title 2, CFR, Part 25](#) requires the recipient to maintain current information about itself in the System for Award Management ([SAM](#)). The SAM is the primary Government repository for prospective Federal awardees and Federal awardee information and is the centralized Government system to support certain contracting, grants, and other assistance-related processes. See the Treasury's Fiscal Service [Vendor Guidance](#) and [31 CFR Part 210](#) regarding the use of the Automated Clearing House process for making payments electronically.

3.0 INTERNAL CONTROLS

3.1 Internal Controls - Grant Awards

[OMB Circular A-123](#), "Management's Responsibility for Enterprise Risk Management and Internal Control," states that statutory requirements should be considered as part of the agency's internal control framework that includes the Single Audit Act ([31 U.S.C. §§ 7501-7507](#)). Title 32 CFR, Part 22, subpart H provides post-award administration responsibilities between the grants office and the designated payment office regarding specific requirements for timely and accurate handling of financial transactions for grants and cooperative agreements (payments and debt collection). The agency head must establish controls that ensure obligations and costs comply with applicable laws. Safeguards must be in place to ensure DoD's grants comply with the purpose awarded, are adequate to pay the request, and are expended within the constraints reflected in the

grant. The Single Audit process, and an agency's procedures for resolving audit findings related to those audits, are controls that assist in assuring achievement of these objectives.

3.2 Audits

Refer to [2 CFR, Part 200, Subpart F, 200.501](#) for single audit threshold requirements. The Single Audit Act requires financial statement audits of non-Federal entities that receive or administer grant awards of Federal funds. These audits also include testing the effectiveness of internal controls and determining whether the recipients' Federal expenditures comply with laws and regulations. Each DoD agency that provides Federal awards will review the audits of the recipients to determine whether corrective actions require implementation with respect to audit findings and perform follow up procedures to ensure that the corrective actions are implemented ([2 CFR, Part 200, Subpart F, 200.513\(c\)\(3\)](#) and [2 CFR, Part 200, Subpart F, 200.514\(e\)](#)).

3.2.1. For additional information, see the Single Audit Act information prescribed in DoD Instruction ([DoDI](#)) [7600.10](#), "Follow-Up and Oversight on Single Audits." The DoDI 7600.10 establishes DoD policy for the implementation of single audit requirements in 2 CFR 200, subpart F, which was issued pursuant to 31 U.S.C. § 7501-7507. The DoD Inspector General provides audit policy guidance and direction to the DoD Components and other Federal agencies on single audit matters related to states, local governments, Indian tribes, institutions of higher education, and non-profit organizations.

3.2.2. The DoD will rely on and use single audits. Independent auditors will conduct audits in the oversight of Federal awards provided to states, local governments, Indian tribes, institutions of higher education, and non-profit organizations. The Department may request additional audits of such Federal awards when required by regulation or as needed to ensure effective use of such Federal awards. Any additional audit effort will be planned and implemented to avoid duplication and must be separately funded.

4.0 PAYMENT REQUEST

4.1 Types of Payment Requests

The OMB guidance in [2 CFR 200.305\(b\)\(1\)](#) states that, provided certain standards are met, recipients must be paid in advance. Reimbursement is the method of payment to be used when the standards for advance payments cannot be met or when the grants officer includes specific conditions in the award terms and conditions that require its use (2 CFR 200.305(b)(3)).

4.2 Payment Request Forms

Except as noted, the following forms are authorized for use by the recipients in requesting advances and reimbursements from the grants office.

4.2.1. For non-construction programs with states, local governments, institutions of higher education, and other non-profit organizations, requests for advance payments or reimbursements may be made on [Standard Form \(SF\) 270](#), Request for Advance or

Reimbursement, or electronic equivalent, or other prescribed forms or formats as necessary (32 CFR, Subtitle A, Chapter 1, Subchapter C, Part 34, [Subpart B, 34.12\(d\)](#)). A DoD Component must also obtain approval for any variation from OMB-approved forms or formats, including the use of additional or electronic data elements, or modification of the associated instructions for recipient entities submitting the information.

4.2.2. 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, or electronic equivalent ([41 CFR, Subpart 105-72.302\(m\)\(2\)](#)). The DoD may use the SF 270 in lieu of the SF 271 when the DoD-awarding agency determines that it provides adequate information to meet Federal needs.

4.3 Commercial Recipients

For payments to commercial recipients, the grants office may authorize recipients to use SF 270 or SF 271 or prescribe other forms or formats as necessary (32 CFR 34.12(d)).

4.4 Accounting for Award Payments

Refer to Volume 12, Chapter 5 for information concerning accounting for advance payments made to the award recipients and accounting for the expenditure until the recipient has performed under the award. Payments to award recipients as reimbursements for work performed, or costs incurred, must be accounted for as expenditures and as expenses incurred, or as reductions of liabilities if the expenses were previously accrued. [Title 2 CFR, Part 200, Subpart E, 200.400\(d\)](#) requires the recipient to maintain adequate documentation to support the accumulation of costs charged to the Federal award. The recipient is not required to provide documentation for accumulated cost when submitting payment requests to the grants office, unless otherwise specified in a form or format approved by OMB in accordance with the Paperwork Reduction Act ([44 U.S.C. § 3501](#)).

4.5 Payment Submission Timelines

When payment requests must be authorized by the administrative grants office in accordance with 32 CFR 22.810, the administrative grants office will review each payment request to ensure the request complies with award terms, available funds are adequate to pay the request, and the recipient will not have excess cash on hand based on expenditure patterns. In these circumstances, to ensure timely payments, the administrative grants office must certify and forward the request to the designated payment office at least 3 working days before the end of the following specified periods:

4.5.1. No more than 7 calendar days after receipt of the recipient's request at the administering office whenever electronic commerce is used, e.g., Electronic Data Interchange to request the payment and EFT to make the payment;

4.5.2. No more than 30 calendar days after receipt of the recipient's request at the administering office when it is not possible to use electronic commerce; and

4.5.3. No more than 7 calendar days after each date specified by the award when payments are authorized in advance, on a predetermined payment schedule, provided the payment schedule was received in the designated payment office at least 30 calendar days in advance of the date of the scheduled payment.

4.6 Prompt Payment Interest Penalties

In accordance with [5 CFR 1315.15](#), prompt payment interest penalties do not apply to Federal grants and cooperative agreements.

4.7 Cash Management Policy

The Cash Management Improvement Act, implemented by [31 CFR, Part 205](#) and [31 CFR, Part 206](#), sets rules, including interest liabilities and procedures, concerning the transfer of funds for Federal financial assistance programs between Federal agencies and the states.

5.0 DEBT COLLECTION FOR GRANTS AND COOPERATIVE AGREEMENTS

5.1 Collection Policy

Any funds paid to the recipient in excess of the amount to which the recipient is entitled constitutes a debt to the DoD. Grants officers are responsible for post-award administration of grants and cooperative agreements in accordance with the DoDGARs. Primary responsibility for collecting debt resulting from a grant or cooperative agreement rests initially with the grants office (see [32 CFR 22.820](#) for additional detailed policy). DoD awarding offices should use the Debt Collection Office (DCO) of the designated payment office as the primary debt collection option. If DFAS is not the designated payment office, DoD awarding offices may utilize the Debt Management Office of DFAS for further debt collection and administrative offset opportunities, after first utilizing the DCO. Refer to Volume 16, Chapters 1, 2, and 5 for additional detailed policy.

5.1.1. The grants officer will attempt to resolve, by mutual agreement, any claim of a recipient's indebtedness. In the absence of such mutual agreement, any claim of a recipient's indebtedness will be the subject of a grants officer decision, in accordance with [32 CFR 22.815\(b\)\(2\)](#). The grants officer will prepare and transmit to the recipient a written notice providing all relevant data supporting the debt determination (32 CFR 22.820). The notice will inform the recipient that within 30 calendar days of the grants officer's decision, the recipient must either pay the amount owed, in accordance with instructions in the notice, or inform the grants officer of the recipient's intention to appeal the decision.

5.1.2. If the recipient has neither paid the amount due, nor provided notice of intent to file an appeal, within 30 days of the grants officer's decision, the grants officer will send a demand letter to the recipient, with a copy to the DCO (see Volume 16, Chapter 2 for general policy requirements of debt letter notifications).

5.1.3. The DCO of the designated payment office will be responsible for any further debt collection activity, including any additional issuance of demand letters (32 CFR 22.820). The DCO will follow collection policy in Volume 16, Chapter 5 unless the DoDGARs, or the applicable grant or cooperative agreement, explicitly prescribes a different procedure.

5.1.4. Grants offices will obtain each grant recipient's Taxpayer Identification Number via the SAM for the purpose of collecting and reporting delinquent debts.

5.2 Offset Policy

In accordance with the provisions of [OMB Circular A-129](#), "Policies for Federal Credit Programs and Non-Tax Receivables," the collection of delinquent debts owed by the recipient may require the use of administrative offsets. When taking an administrative offset, 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 (also see Volume 16, Chapter 2 and 5 for additional policy concerning offsets). Use of administrative offset is not required in every instance in which there may be 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. In accordance with 32 CFR 22.820(e), the following examples are when an offset will not be taken.

5.2.1. Recovery of debt by an administrative offset will not be performed 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.

5.2.2. 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 grants officer to convert the agreement to a reimbursable method of payment that would enable the use of an administrative offset.

5.3 Collection Office

The office responsible for collecting the debt will apply interest, penalty, and administrative charges to delinquent debts according to policy in Volume 16, Chapter 7.

5.4 Uncollectible Debts

Volume 4, Chapter 3 and Volume 16, Chapters 2, 5, and 7 prescribe policy for writing off debts that are determined uncollectible.

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

Changes are identified in this table and also 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 2021](#) 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 20

CONTRACT RECONCILIATION

1.0 GENERAL

1.1 Purpose

This chapter prescribes DoD policy for Mechanization of Contract Administration Services (MOCAS) and Non-MOCAS contract reconciliations, and the requirements necessary to maintain complete, consistent, and accurate data for contract files and related entitlement and accounting records. It defines the DoD Components' roles and responsibilities for efficiently identifying differences, conducting research, performing reconciliations, approving recommended adjustments, processing corrections, and maintaining appropriate supporting records.

1.2 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 \(ADA\)](#) violations, minimize the amount of negative unliquidated obligations (NULOs), and minimize the number and dollar value of unmatched disbursements (UMDs). Paying office contract files will include the information specified in the [Federal Acquisition Regulation \(FAR\) paragraph 4.803\(c\)](#). The use of accounting classification reference numbers (ACRN) and contract line items is described in the Defense Federal Acquisition Regulation Supplement [\(DFARS\) 204.7101](#), [DFARS 204.7103-1](#), and [DFARS 204.7107](#). The streamlined closeout of contract files is described in [DFARS 204.804](#) and section 5.0. Disbursements will be authorized, classified, processed, and promptly posted and reported, as discussed in Volume 5, Chapter 9.

2.0 RESPONSIBILITIES

2.1 Responsible Contract Reconciliation Agent (RCRA)

RCRAs manage the daily operations of contract reconciliation and are responsible for the completion of 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 adjustments, and ensuring that refunds or demands for payment are initiated. Instructions and guidance on the RCRA's role in contract reconciliation are contained in the User Manual for the Standard Contract Reconciliation Tool ([SCRT](#)).

2.2 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:

2.2.1. Assist with providing specific instructions and computer-based tools necessary to identify, analyze, reconcile, track, and correct differences between written contracts, entitlement, disbursement, and related accounting systems. The instructions will include criteria for determining the nature and scope of required analyses;

2.2.2. Provide entitlement and accounting system information to individuals participating in negotiating settlements;

2.2.3. Train and maintain a core group of individuals who meet the qualification requirements to perform responsibilities prescribed by the SCRT manual (to include RCRA, reconcilers, and assistants);

2.2.4. Designate qualified DFAS personnel to be trained as part of the core group, and assign RCRA personnel to oversee and perform contract reconciliations; and

2.2.5. Ensure that the Systems Support Office-DFAS Columbus will provide support to the RCRA and maintain the SCRT, which is a DoD-wide database that contains a listing of RCRA, core group members, and contracts being reconciled. SCRT users will receive support from the help desk at disa.global.servicedesk.mbx.application-ticket-request@mail.mil.

2.3 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 as the interfaces between SCRT and the ERPs are developed.

2.4 Reconciliation Partners

All RCRA reconciliation partners (procurement contracting officers (PCOs), administrative contracting officers (ACOs), resource managers, and program managers) will perform their respective or combined duties as they relate to the following:

2.4.1. Participating in contract reviews and reconciliations, and assist in the identification and resolution of differences between written contracts and entitlement, disbursement, and accounting systems;

2.4.2. Comparing the ACRNs 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;

2.4.3. Responding in a timely manner to reasonable requests for action, information, and/or documentation on a contract or modification;

2.4.4. Modifying the contract to correct any disclosed discrepancies in accordance with [FAR 43](#); and

2.4.5. Designating personnel to be trained as part of the core group of individuals from the DoD Components who oversee and perform contract reconciliations.

3.0 CONTRACT RECONCILIATION

3.1 Reconciliation Referrals

Normally, at the end of the contract, the total payments made to the contractor should match the total of funds obligated on the contract. Cost underruns, payment errors, 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 fund balances exist that cannot be explained, reconciliation may be required to compare all source documents with the entitlement and accounting systems. 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 SCRT manual for reconciliation request guidance.

3.2 Discrepancy Identification

When a discrepancy between contract payments and accounting records is identified, a preliminary contract review must 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 must 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 3.5. 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](#). The related requirements for researching and correcting NULOs, UMDs, disbursements in suspense accounts, and disbursements in-transit are covered in Volume 3, Chapter 11.

3.3 Conditions for Contract Reconciliation

The following circumstances may indicate discrepant conditions that require preliminary contract review or contract reconciliation:

3.3.1. Incomplete contract, payment, or accounting information;

3.3.2. Insufficient funds;

3.3.3. Un-recouped progress payment balances at or near contract completion;

3.3.4. Possible overpayments;

3.3.5. UMDs; and

3.3.6. NULOs.

3.4 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, potential ADA violations, prevalidation problems, insufficient funds for payment, suspected or identified overpayments, transactions with the highest dollar value, and cancelling/closing-year appropriations.

3.5 Registration in the SCRT

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 – MOCAS, Reconciliation Division at dfas.dsc.cajai.mbx.recon-maillog@mail.mil. For more information on reconciliation tools used in the contract reconciliation process, refer to section 4.0.

3.6 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 between 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 after initiation.

3.6.1. Contract reconciliations should include, as applicable, a review and analysis of:

3.6.1.1. The basic contract, including any modifications, and all obligation actions in all systems;

3.6.1.2. Payment vouchers;

3.6.1.3. Contract payment system records;

3.6.1.4. Official accounting system(s) records for all funds on the contract; and

3.6.1.5. Adjustments, including any collection actions or expenditure transactions, to the contract payment and accounting system(s) records that have been processed.

3.6.2. Differences that require adjustment generally are identified as:

3.6.2.1. Contractual documents that require correction by the ACO or PCO; and

3.6.2.2. Obligation posting documents (omissions or corrections) that require initiation or correction by the responsible funds holder or responsible accounting office.

3.6.3. If the accounting system records require correction, and the entitlement records are correct, then a correction (internal adjustment) is required for the accounting system records to balance with the corresponding entitlement system.

3.6.4. If entitlement office payment system records require a correction, and the accounting system records are correct, then a correction (internal adjustment) is required for the entitlement office payment records to balance with the corresponding accounting system.

3.6.5. If identical correcting adjustments are required by both the entitlement office payment system records and the accounting system records, then corrections (external adjustments) are required to be processed by the responsible entitlement office, and they must flow to the corresponding accounting system.

3.7 Documentation and Review

Documents accumulated during a contract reconciliation must be retained, made available for, and be subject to, internal review and audit.

3.7.1. The DoD Component responsible for the review and acceptance of the recommended adjustments must 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.

3.7.2. 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.

3.8 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, as discussed in Chapter 1.

4.0 RECONCILIATION TOOL

The SCRT is a DoD-wide registration database and reconciliation tool. In cases where SCRT is not interfaced 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 SCRT.

5.0 STREAMLINED CONTRACT CLOSEOUT

5.1 Criteria

In accordance with the Fiscal Year (FY) 2017 National Defense Authorization Act (NDAA) and with DFARS 204.804(3)(i), as modified by Section 820 of the FY 2021 NDAA, contracting officers may close out contracts, or groups of contracts, through issuance of one or more modifications to such contracts without completing a reconciliation audit or other corrective action in accordance with FAR 4.804-5, as appropriate, if each contract:

5.1.1. Was entered into on a date that is at least 7 FYs before the current FY;

5.1.2. With respect to a contract or group of contracts for military construction or shipbuilding was entered into at least 10 fiscal years before the current fiscal year;

5.1.3. Has been completed at least 4 years before the current fiscal year, in terms of performance or delivery; and

5.1.4. Has been determined by a contracting official, at least one level above the contracting officer, to be not otherwise reconcilable, because:

5.1.4.1. The contract or related payment records have been destroyed or lost; or

5.1.4.2. Although contract or related payment records are available, the time or effort required to establish the exact amount owed to the U.S. Government, or amount owed to the contractor, is disproportionate to the amount at issue.

5.2 Identification and Documentation

Agencies and DoD Components must partner closely to identify potential contracts for closeout under the NDAA legislative authority and must maintain a documented record of all contracts closed under the authority. The Deputy Chief Financial Officer policy memorandum, “National Defense Authorization Act Contract Closeout Authority (FPM 19-06),” dated May 14, 2019, contains critical procedural implementation guidance and can be accessed on the Office of the Deputy Chief Financial Officer/Financial Management Policy and Reporting website under [Dual Purpose Policy Memos](#) & Other Information (Common Access Card-enabled).

5.3 Remaining Balances – Same Contract

Modifications issued under this authority may offset remaining contract balances with balances in other contract line items within the same contract, regardless of the year or type of appropriation obligated to fund each contract line item and regardless of whether the appropriation obligated to fund such contract line item has closed/canceled.

5.4 Remaining Balances – Other Contracts

Modifications issued under this authority may offset remaining contract balances with balances on other contracts meeting the legislative criteria, regardless of the year or type of appropriations obligated to fund each contract and regardless of whether such appropriations have closed/canceled.

5.5 Adjust and Close

After closeout of any contract by the issuance of a negotiated settlement modification, the payment or accounting offices concerned must adjust and close any open finance and accounting records related to the contract(s).

5.6 Liability

As prescribed by Section 836 of the FY 2017 NDAA, no liability will attach to any accounting, certifying, or payment official, or any contracting officer, for any adjustments or closeouts made pursuant to the authority under the DFARS 204.804.

**VOLUME 10, CHAPTER 21: “JUNIOR RESERVE OFFICER TRAINING CORPS
(JROTC) INSTRUCTOR PAY”**

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also 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 [November 2022](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
1.3	Added guidance for Junior Reserve Officers Training Corp Instructor Pay memorandum, dated March 25, 2024.	Addition
2.2	Removed obsolete guidance.	Deletion
2.5	Removed obsolete guidance.	Deletion
2.8	Clarified guidance regarding Cost-of-Living Allowances.	Revision
3.2	Removed obsolete form.	Deletion
4.1	Clarified guidance regarding military service reimbursement.	Revision
8.2	Clarified guidance regarding instructor transfers.	Revision

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CHAPTER 21

JUNIOR RESERVE OFFICER TRAINING CORPS (JROTC)
INSTRUCTOR PAY

1.0 GENERAL

1.1 Overview

This chapter prescribes the financial management policies applicable to the reimbursement of the DoD portion of JROTC Instructor Pay worldwide to public and private secondary educational institutions and [DoD Education Activity \(DoDEA\)](#).

1.2 Purpose

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

*1.3 Authoritative Guidance

[DoD Instruction 1205.13](#), JROTC Program, Title 10, United States Code ([U.S.C.](#)), [section 2031](#), and Deputy Secretary of Defense [JROTC Instructor Pay Memorandum](#) provide policy and guidance regarding the JROTC program. The JROTC Instructor Pay Memorandum establishes the JROTC Standardized Instructor Pay Scale (JSIPS) for new JROTC instructors and related changes to the reimbursement of host schools, in accordance with section 553 the National Defense Authorization Act for Fiscal Year 2024 (Public Law 118-31). Prior pay formulas and reimbursement requirements are set forth in prior versions of this chapter.

2.0 DEFINITIONS

2.1 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.

2.2 [DoD Dependent Schools \(DoDDS\)](#)

DoDDS are a network of schools, both primary and secondary, that serve dependents of the U.S. military and dependents of U.S. Government employees. The schools themselves are operated by the [DoDEA](#).

2.3 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.

2.4 Instructor Management Division (IMD)

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

2.5 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.

2.6 JROTC Unit

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

2.7 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 calculated using the JSIPS pay scale set forth in the JROTC instructor pay memorandum which should be referenced for additional certification actions for hiring school districts. A JROTC instructor already employed under 10 U.S.C. § 2031 on the date of enactment of JSIPS shall not be subject to a reduction in total compensation due to its enactment.

*2.8 Cost-Of-Living-Allowances (COLAs)

2.8.1. The U.S. Government pays COLAs to white-collar civilian Federal employees in Alaska, Hawaii, Guam and the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands. Title 5, U.S.C. [Section 5941](#) and [Executive Order 10000](#) (as amended) authorize the payment of COLAs in nonforeign areas. JSIPS employees in these particular nonforeign areas, as defined by Office of Personnel Management, are entitled to COLAs.

2.8.2. The [Nonforeign Area Retirement Equity Assurance Act](#), as contained in subtitle B (sections 1911-1919) of title XIX of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84, October 28, 2009), transitions the nonforeign area COLAs authorized under 5 U.S.C. § 5941(a)(1) to locality pay authorized under [5 U.S.C. § 5304](#) in the nonforeign areas as listed in [5 Code of Federal Regulations 591.205](#). The Act also extends locality pay to American Samoa and other nonforeign territories and possessions of the United States where no COLA rate applies.

3.0 PRESCRIBED FORMS

3.1 DoD (DD) Form 2767

Paragraphs 7.2, 8.1, and 8.2 discuss the use of [DD 2767](#), JROTC Instructor Annual Certification of Pay and Data Form.

3.2 Standard Form (SF) 1080

Paragraph 5.3 discusses the use of [SF 1080](#), Voucher for Transfers between Appropriations and/or Funds.

4.0 REIMBURSEMENT RESPONSIBILITIES

*4.1 General

JROTC instructors are paid by the host school, with the sponsoring Military Service reimbursing the school 50 percent of the MIP. JSIPS sets the MIP, as noted in paragraph 2.7, that the Military Services use to reimburse the host school.

4.2 Discretionary Additional Payments

The Secretary of the Military Department concerned (or designee), may pay additional instructor funds to a school when funds are available and the Military Department determines, following periodic reviews, that:

4.2.1. The school is in an educationally and economically deprived area; and

4.2.2. Such action is in the national interest

5.0 REIMBURSEMENT REQUIREMENTS AND PROCESS

5.1 Requirements for Authorizing Reimbursement

The JIRO authorizes reimbursement to the schools only for those instructors:

5.1.1. Who are certified as qualified instructors by the cognizant Military Service;

5.1.2. For whom funding has been authorized by the Military Service; and

5.1.3. Who are filling positions authorized by the Military Service.

5.2 JROTC Units in DoDDS and DDESS Schools

5.2.1. DoDDS JROTC instructors will be employed under provisions of [20 U.S.C. §§ 901-907](#).

5.2.2. DDESS JROTC instructors will be employed under provisions of [10 U.S.C. § 2164](#).

5.3 School Reimbursement Process

5.3.1. 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 needs in paragraph 4.2 are met, as prescribed in 10 U.S.C. § 2031(d)(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.

5.3.2. The amount is calculated based on the information and documentation required on the DD 2754, adjusted to reflect the agreed-upon reimbursement rate/amount between the Military Service and the school.

5.3.3. Monthly statements of the reimbursements are forwarded by the JIRO to the school and the school district. These statements will show the total amount paid to each instructor working at the school.

5.3.4. 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 2754 by funds transfer via the Intragovernmental Payment and Collection (IPAC) system or SF 1080.

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

6.0 JROTC UNIT ESTABLISHMENT AT SCHOOLS

6.1 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.

6.2 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.

7.0 JIRO

7.1 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 2.7. 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 subparagraph 5.3.1.

7.2 JIRO Employment Verification Process

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

7.2.1. Each school must submit a DD 2767 annually for those JROTC instructors continuing employment at the school in the upcoming academic year.

7.2.2. The form must be received prior to the end date of an instructor's current contract to ensure uninterrupted reimbursement.

7.2.3. Schools are reimbursed only when there is a current form on file at the JIRO.

8.0 SEPARATIONS, TRANSFERS, DECERTIFICATIONS, AND DISESTABLISHMENTS

8.1 Separations

Each employing school must forward a DD 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.

*8.2 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 2767. The instructor must immediately forward an updated DD 2754, as stipulated in paragraph 7.4, to the JIRO. [The locality pay will be adjusted based on the JSIPS locality table for the new school. The pay scale used for relocations/transfers will be based solely on grade and highest academic degree held. Relocation assistance allowance may be available for JROTC instructors who relocate to fill hard-to-fill locations pursuant to 10 U.S.C. § 2031\(e\)\(1\).](#)

8.3 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.

8.4 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.

9.0 FINANCIAL MANAGEMENT

9.1 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 and 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.

9.2 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.

9.3 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 Defense Finance and Accounting Service (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.

10.0 IDENTIFICATION AND COLLECTION OF JROTC-RELATED DEBTS

10.1 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:

10.1.1. Instructor transferred to another school. This possibly results in the losing school being over-reimbursed and the gaining school being under-reimbursed;

10.1.2. Instructor separated from instructor program;

10.1.3. Instructor dies; or

10.1.4. Instructor's contract ending date changed, thereby shortening the contract period.

10.2 Debt Collection Process

10.2.1. 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 Volume 16, Chapter 5.

10.2.2. 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 Volume 16, chapter 5 for the policy requirements and guidance. Amounts collected must be forwarded to the JIRO as the debt collection office.

10.2.3. After the JIRO has completed all related actions specified in Volume 16, Chapter 5, paragraph 5.2, uncollected debts 90 days delinquent must be referred to the DFAS Debt Management Office, which will refer debts that become delinquent for over 120 days to the 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 RECOVERY AUDITS”**SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also 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 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 22

PAYMENT RECOVERY AUDITS

1.0 GENERAL

1.1 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 implement and utilize a cost-effective recovery audit and activities program to recover improper payments. Recovery audit requirements apply to all types of payments, except for intra-governmental transactions.

1.2 Purpose

This chapter establishes the DoD policy for implementation of recovery audits in accordance with the laws and regulations cited herein.

1.3 Authoritative Guidance

This chapter establishes policies and requirements based on the Payment Integrity Information Act (PIIA) of 2019 ([Public Law 116-117](#)), as codified in [Title 31, United States Code \(U.S.C.\), Chapter 33, Subchapter IV](#). Except for sections specifically noted in the PIIA, the PIIA supersedes and repeals the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act (IPERA) of 2010 (31 U.S.C. § 3301 note), and the Improper Payments Elimination and Recovery Improvement Act of 2012 (31 U.S.C. § 3321 note). This chapter also incorporates associated implementing guidance found in OMB Circular A-123, Appendix C, and the financial reporting requirements of [OMB Circular A-136](#).

2.0 DEFINITIONS

2.1 Recovery Audit

A recovery audit is a review and analysis of an agency'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 covered by Generally Accepted Government Audit Standards. Rather, it is a detective and corrective control activity designed to identify and recapture overpayments, and, as such, is a management function and responsibility (OMB Circular A-123, Appendix C).

2.2 Recovery Audit and Activities Program

This is a Component's overall plan for risk analysis and the performance of recovery audits and recovery activities. The agency head will determine the manner and/or combination of

recovery activities to use that are expected to yield the most cost-effective results. These activities should include a management improvement program if appropriate. A copy of the Consolidated DoD Recovery Audit and Activities Program Plan must be provided to the DoD Inspector General (DoDIG) annually.

2.3 Recovery Activities

A recovery activity includes any activity, not defined as a recovery audit (see paragraph 2.1), used by an agency to identify and recapture overpayments. Recovery activities include but are not limited to review of Single Audit reports; self-reported overpayments, statistical samples conducted under PIIA; and agency post-payment reviews.

2.4 Recovery

Recovery refers to the return of a monetary loss-type improper payment to the agency. This can occur as a result of recovery audits or recovery activities.

2.5 Cost-Effective Recovery Audit and Activities Program

A cost-effective recovery audit and activities program is one in which the benefits (i.e., recovered amounts) exceed the costs (e.g., staff, time, resources, or payments for the recovery audit contractor) associated with implementing and overseeing the program. Each agency will determine the most cost-effective combination of recovery activities and recovery audits as part of their Recovery Audits and Activities Program.

2.6 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, for an ineligible good or service, or 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.

2.7 Overpayment

An overpayment refers to a payment in excess of what is due. When an overpayment occurs, the improper amount is the difference between the amount due and the amount of which was actually paid. Overpayments are improper payments resulting in a monetary loss.

2.8 Monetary Loss

Monetary loss to the Federal Government is an amount that should not have been paid and in theory should/could be recovered. A monetary loss-type improper payment is an overpayment.

2.9 Recovery Audit Contingency Contract

This type of contract is for recovery audit services in which the contractor is paid for its services as a percentage of overpayments actually collected. Clear evidence of overpayments must be provided by the contractor to the appropriate Component official.

2.10 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 serves in an advisory capacity to the Component official. A post-award audit, as distinguished from a recovery audit, is normally performed for the purpose of determining if amounts claimed by the recipient are in compliance with the terms of the award or contract, and with applicable laws and regulations. Such reviews involve the recipient's accounting records, including the internal control systems.

3.0 DoD RECOVERY AUDIT AND ACTIVITIES PROGRAM

3.1 Applicability

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

3.1.2. 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), Financial Management Policy and Reporting (FMPR) Directorate, for approval.

3.1.3. When determining the cost-effectiveness of the use of recovery audit contingency contracts, any Defense Finance and Accounting Service (DFAS) resources used to assist the recovery audit contractor must be taken into consideration. This includes the cost of providing government records, researching claims, and recovering amounts due the government. See the OMB Circular A-123, Appendix C, for additional information concerning specific criteria agencies are to consider in determining the cost-effectiveness of a recovery audit and activities program.

3.1.4. Recovery audits will be implemented in a manner designed to ensure the greatest financial benefit to the Component. In most cases the combination of payment recovery activities, predominantly internal controls, are expected to yield the most cost-effective and beneficial results. Recovery Audit and Activities, coupled with the financial management roles and responsibilities for all of the PIIA established programs, will ensure timely overpayment corrective actions and streamlined recoupment processes.

3.1.5. Components will report the results of their recovery audit and activities program in accordance with section 5.0 and OMB Circular A-136, Financial Reporting Requirements.

3.2 Annual Plan Submission

3.2.1. All Components that expend \$1 million or more annually for each program and activity must perform a reassessment of their annual recovery audit plan to determine its validity, and provide any updates or improvements to their plan not later than August 31 of each year, for use during the upcoming fiscal year (FY) to:

OUSDC/ODCFO/FMPR
1100 Defense Pentagon – Suite 3D150
Washington, DC 20301-1100

3.2.2. At a minimum, this plan must include:

3.2.2.1. A cost-effectiveness analysis;

3.2.2.2. The estimated total dollar amount of payments by program or activity for the current FY;

3.2.2.3. Any additional collection/recovery audits and/or risk mitigation activities the Component plans to use in addition to its current DoD recovery audit and activities program;

3.2.2.4. The dollar amount of payments the Component plans to review using these additional activities or audits;

3.2.2.5. What entity will perform the recovery audits (internal, external, or contractor resources);

3.2.2.6. The proposed methodology; and

3.2.2.7. The period of review.

3.2.3. In addition, if the Component head determines that performing recovery audit activities is not cost-effective for certain categories of disbursements, as further described in paragraph 6.2, the quantitative justification must be included in this plan.

3.3 Establishing Targets for Recovery Audit and Activities Programs

For each recovery audit and activities program established, annual recovery targets must be set. DoD is required to establish annual targets for their recovery audit and activities programs for each Department established PIIA program (i.e., Civilian Pay, Military Pay for each Branch, Commercial Pay, Travel Pay, Retired and Annuitant) that will drive their annual performance. Targets will be based on the rate of recovery (i.e., the 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 recovery targets to OUSD(C)/ODCFO/FMPR for review and approval (see paragraph 3.2). The OUSD(C)/ODCFO/FMPR, in turn, will submit targets to OMB for review as part of the annual approval process of Agency Financial Reports (AFR) and Performance and Accountability Reports (PAR), coupled with the OMB Annual PIIA Tables and Data call submission.

4.0 OVERPAYMENT IDENTIFICATION

While it is preferable that Components focus efforts toward preventing overpayments from occurring, it is important for Components to have cost-effective means to both identify and recover overpayments if they do occur. Components use a variety of policies and activities to identify and recover overpayments. The following subsections and examples, which come directly from the OMB Circular A-123, Appendix C guidance, are not meant to provide an exhaustive list of overpayment identification methods, rather they are meant to help Components strengthen their overpayment identification processes. Each Component must determine the most cost-effective method for their particular circumstances.

4.1 Reviews

Reviews are a mechanism Components use to assist with identification of overpayments across the Federal Government. This includes but is not limited to activities such as improper payment risk assessments conducted under PIIA, agency post-payment reviews, Budget Execution Monthly Reviews, Dormant Account Reviews, monitoring debt collection software to track recovery of overpayments, SF-50 vs. SF-52 validation, and Sampling and Estimation Methodology Plans conducted under PIIA.

4.2 Audits

The use of audits is a common mechanism that assists in identifying overpayments. Examples include but are not limited to performance of post-award audits, recovery auditing techniques such as data matching with Federal, State, and local databases, audit reports, [Government Accountability Office \(GAO\)](#) audits, DoDIG audits, and the results of the agency audit resolution and follow-up process.

4.3 Data Analytics

Using data analytics to identify overpayments is not only beneficial for identifying overpayments after they have occurred, but establishing a robust data analytics effort can move an agency from a “pay-and-chase” approach to a predictive approach allowing the agency to identify potential improper payments before they even occur. There are a wide range of analytics techniques available such as rule-based, anomaly detection, predictive analytics, network/link analytics, or text analytics. Examples of analytics approaches used to identify overpayments include, but are not limited to, using data analytics to monitor and detect misuse in ongoing complex contracts, to monitor and detect misuse in Government purchase cards, for identifying above average payments to a vendor, for identification of duplicate payments, or to identify amounts exceeding purchase orders.

4.4 Reports

While reports are in a “pay-and-chase” status, programs can often use the reports to help identify weaknesses in internal controls that, if strengthened, could prevent future overpayments from occurring. Examples of such reports include, but are not limited to, GAO reports, reports from the public such as new media, or self-reported errors.

4.5 Reconciliations

Reconciliations are a common accounting mechanism which identify overpayments. Examples include but are not limited to conducting contract reconciliations by comparing invoices, receiving reports, and payments; verifying the terms of the contract have been met and are properly recorded, performing reporting and accounting outlays reconciliations, performing service provider payroll disbursement reconciliations, performing general ledger gross pay file reconciliations, or reconciling employee data with the accounting and disbursing systems. When overpayments are identified through reconciliation programs, Components should review their internal controls and determine whether additional mitigation strategies should be established to prevent the overpayments from occurring in the future.

5.0 REQUIRED REPORTING

5.1 Annual Reporting

Components must report annually on their recovery audit and activities programs. Components must consult with the DFAS Enterprise Audit Support & Compliance to ensure proper coverage of improper payments and payment recovery actions and to prevent duplicate reporting. Components must inform OUSD(C)/ODCFO/FMPR if suspension or limitation occurs in the Component monitoring/oversight activities. In order to meet the AFR reporting schedule, Component reporting of their recovery audit and activities program is due no later than the dates established in the annual Consolidated DoD Recovery Audit and Activities Program Plan.

5.2 OMB Circular A-136 Required Reporting

5.2.1. The DoD must report in accordance with the annual update to OMB Circular A-136, Financial Reporting Requirements. The following must be addressed in the AFR or PAR:

5.2.1.1. Actions taken to address auditor recovery recommendations; and

5.2.1.2. Fraud reduction reporting. Instances of potential fraud discovered through recovery audit activities must be reported in accordance with Volume 5, Chapter 6.

5.2.2. Refer to OMB Circular A-136, Section II.4.5 (Payment Integrity Information Act Reporting), and Volume 4, Chapter 14, for Payment Integrity Information Act Reporting requirements.

6.0 SCOPE OF DoD RECOVERY AUDIT ACTIVITIES

6.1 Dollar Threshold

All programs and activities that expend \$1 million or more annually, including grant, benefit, loan, and contract programs, must be considered for recovery audits. All classes of contracts and contract payments, as well as all other types of payments (excluding intra-governmental transactions), must be considered for recovery 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 that 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 recovery audits.

6.2 Possible Exclusions

Agencies may exclude payments from certain programs from recovery audit activities if the agency determines that recovery audits are not a cost-effective method for identifying and recovering overpayments or if other mechanisms to identify and recover overpayments are already in place. Common mechanisms used to identify overpayments within a recovery audit include: statistical samples and risk assessments, agency post-payment reviews, prior payment recovery audits and activities, Office of Inspector General reviews, GAO reports, self-reported errors, reports from the public, audit reports, and the results of the agency audit resolution and follow-up process. If an agency elects to exclude a class of payments or contracts from payment recovery activities or audits, the justification for this exclusion must be included in their annual plan and annual report (see sections 3.0 and 5.0).

6.3 Required Root Cause Analysis

In addition to identifying and documenting specific overpayments resulting from payment errors, any entity performing recovery audits 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. The Component will provide such information to DFAS, the DoDIG, and where applicable, the [Inspector General \(IG\)](#) of the Military Service.

7.0 ROLE AND RESPONSIBILITIES OF THE DoD COMPTROLLER'S OFFICE

7.1 Role

To facilitate compliance with OMB Circular A-123, Appendix C, the ODCFO assigned reporting responsibility for this function to the OUSD(C), FMPR Directorate. This reporting function is part of the OUSD(C) oversight responsibility for DoD's annual recovery audit reporting in the AFR.

7.2 Responsibilities

The Comptroller's FMPR Directorate is responsible for:

7.2.1. Serving as the Executive Agent (EA) for the DoD Payment Integrity program. As the EA for the DoD Payment Integrity program, the FMPR Directorate provides oversight to the DoD Components to ensure compliance with the PIIA and/or OMB Circular A-123, Appendix C, requirements;

7.2.2. Reviewing the Components' annual recovery audit plan submissions as described in paragraph 3.2 to ensure completeness;

7.2.3. Reviewing the annual submission of recovery audit reports described in section 5.0 to ensure the reporting requirements are met;

7.2.4. Preparing and submitting Department-wide recovery audit 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; and

7.2.5. Preparing the Department-wide recovery audit and activities plan reassessment based on pertinent overpayment recovery methods or improvements identified by the Components during the FY, for submission to the DoDIG.

8.0 ROLE AND AUTHORITY OF THE OFFICE OF THE IG

8.1 No Impairment of IG 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 recovery audit program required by this policy is an integral part of Components' 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 recovering audit program.

8.2 Effectiveness Assessment

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

9.0 SOURCES TO PERFORM RECOVERY AUDITS

Recovery audits may be performed by employees of the Components, by any other Component, department, or agency of the U.S. Government acting on behalf of the Component, or by private-sector contractors performing recovery audit services under contracts awarded by the Component, or any combination of these options.

10.0 RECOVERY AUDIT SERVICES PERFORMED BY CONTRACTORS

10.1 Use of External Contractors

When Components have determined that using external post-payment recovery audit contractors (i.e., recovery audit contingency contract) is the most cost-effective plan, they must update their current recovery audit plan with the detailed cost-effectiveness breakdown, including terms of the contract, and submit to OUSD(C) FMPR for approval prior to executing the contract. 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, Enterprise Solutions and Standards, Accounts Receivable Office (JJA) at 8899 East 56th Street, Indianapolis, IN 46249 to determine whether direct communication with the Component's contractors is authorized.

10.2 Contingency Fee Requirement

Contracts entered into by Components to obtain recovery audit services from the private sector are limited to contingency contracts that pay the contractor an amount equal to a negotiated percentage of the total amount collected by the United States for valid claims of overpayment. However, certain types of payments recovered may not be available to pay the recovery audit costs (for instance, amounts recovered due to interim improper payments made under ongoing contracts if these amounts are still needed to make subsequent payments under the contract, or amounts recovered from closed accounts). Components may allow contracted recovery auditors to establish a presence on, or visit, the property, premises, or offices of any subject of recovery audits. Such physical presence is not prohibited and may allow the recovery auditor to perform a more thorough review of the subject's payments and related documentation.

10.3 Actions of External Contractors

The recovery audit contractor may, with the consent of the contracting Component, notify entities, including individuals, of potential overpayments made to those entities, respond to questions concerning potential overpayments, and take other administrative actions with respect to overpayment claims made, or to be made, by the Component.

10.4 External Contractor Prohibitions

In addition to provisions that describe the scope of recovery audits (and any other provisions required by law, regulation, or Component policy), any contract with a private-sector firm for recovery audit services will include contract provisions that prohibit the recovery audit contractor from:

10.4.1. Having the authority to make a final determination relating to whether any overpayment occurred or whether to compromise, settle, or terminate an overpayment claim;

10.4.2. 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;

10.4.3. 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 an authorized purpose of fulfilling the recovery audit contract; or

10.4.4. Disclosing any information that identifies an individual, or could reasonably be used to identify an individual, for any purpose other than as authorized for fulfilling its responsibilities under the payment recapture audit contract.

10.5 Safeguarding Confidentiality

Components will require the recovery audit contractor to take steps to safeguard the confidentiality of sensitive financial information that has not been released for use by the general public and any information that could be used to identify a person.

10.6 Minimum Contract Requirements

At a minimum, each contract for recovery audit services will require the contractor to:

10.6.1. 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;

10.6.2. Notify the DoD disbursing Component of any overpayments identified by the recovery audit contractor pertaining to any Component that is beyond the scope of the contracts; and

10.6.3. 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 recovery audits must be trained to recognize evidence of fraud and vulnerability to fraud.

11.0 RECOVERY AUDIT COLLECTION ACTIVITY

Actual collection activity must 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.

12.0 DISPOSITION OF AMOUNTS RECOVERED

12.1 Amounts Collected

PIIA and 31 U.S.C. Chapter 33 prescribe that amounts collected under a recovery audit 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. As prescribed by [31 U.S.C. § 3352\(i\)\(2\)\(H\)](#), the disposition guidance in paragraph 12.2 does not apply to the recovery of an overpayment if the appropriation from which the overpayment was made has not expired. In those cases, the collection will be credited to the appropriation or funds from which the original disbursement was made. As prescribed by OMB Circular A-123, Appendix C, any recovered overpayments that pertain to canceled/closed appropriations must be credited to Treasury Miscellaneous Receipts. Please refer to the OMB Circular, A-123, Appendix C, pages 38-42, for flowcharts and tables depicting the disposition requirements.

12.2 Uses of Amounts Collected

Except as provided in paragraph 12.3, 31 U.S.C. § 3352(i)(2) requires that any expired discretionary amounts collected (recovered) through recovery audits, 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 recovery audit contractors under paragraph 12.1, may be used in the following manner:

12.2.1. Up to 25 percent of the recovered funds may be used to supplement (but not supplant) any other amounts available to support the Component's financial management improvement program and will 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;

12.2.2. Up to 25 percent of the recovered 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 will remain available for the same period of availability and purposes as the appropriation or fund to which credited;

12.2.3. Up to 5 percent of the recovered funds may be made 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 purpose as the appropriation or fund to which it is credited; or

12.2.4. The remainder of the recovered expired or closed/canceled discretionary funds that are not applied in accordance with subparagraphs 12.2.1 through 12.2.3 must be deposited in the Treasury as miscellaneous receipts, except recoveries of overpayments that are made from trust or special fund accounts must revert to those accounts (31 U.S.C. § 3352(i)(2)(H)).

12.3 Return of Collections to Original Appropriation

As prescribed by OMB Circular A-123, Appendix C, recovered overpayments from unexpired discretionary fund accounts (still available for obligation) that were appropriated after enactment of IPERA (July 22, 2010) must be credited to the account from which the overpayments were made without using it for any purposes outlined in paragraphs 12.1 or 12.2. Recovered overpayments from revolving funds, working capital funds, non-appropriated funds, and appropriations with indefinite periods of availability must be refunded to such accounts.

12.4 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 recovery audit contractors may be credited to the non-appropriated fund instrumentality, revolving fund, working capital fund, trust fund, or other fund or account from which the improper payments were made. For example, a recovery audit contractor may identify an improper payment during its review of a Defense Agency's working capital fund. Upon recovery of the payment, the Component could use the proceeds recovered to reimburse the Department's administration expenses and pay the recovery audit contractor's contingency fee. The remaining balance, if any, could then be credited back to the Component's working capital fund.

12.5 Contingency

Contingency fee contracts will preclude any payment to the contractor performing recovery audit services until the recoveries are actually collected by the Component.

12.6 Accounting for and Reporting Collections

All funds collected, and all direct expenses incurred, as part of the recovery audit and activities program will be accounted for specifically. The identity of all funds recovered must be maintained 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.

12.7 Unconfirmed Overpayments

Overpayments that are identified by a recovery 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.

12.8 Separate Statutory Authorities

Programs and payments that have separate statutory authority and requirements to conduct recovery audits are not required to follow the disposition of recovered funds outlined in section 12.0 or 13.0 (in accordance with OMB Circular A-123, Appendix C). As an example, the General Services

Administration audits transportation payments for improper payments. Reference Chapter 13 for additional details.

13.0 DISPOSITION OF RECOVERED 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 recovery audit contractor. For those funds appropriated prior to IPERA's enactment that have expired, and after reimbursement of Component expenses and payment to the recovery audit contractor, any remainder of the recovered funds must be returned to the expired account(s). If the appropriation is canceled, the funds must be credited to Treasury Miscellaneous Receipts.

14.0 GRANT PROGRAMS

Components whose grant programs fund significant contract activity by grant recipients may consider including contracts at the grant recipient level in their recovery audit and activities 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**

Changes are identified in this table and also 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 [April 2023](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative guidance.	Revision
1.1 and 1.2.1	Added clarification of requirement to consult and comply with Executive Orders and Component-specific guidance that might impose additional restrictions on the use of purchase cards.	Addition
2.3	Updated reference for Terminology for Unauthorized Purchase Card Transactions from the DoD Government-wide Commercial Purchase Card Program Policy (GPC), to the DoD Government-wide Commercial Purchase Card Guidebook, Chapter 10, Section 10.4.	Revision
2.7.2	Updated reference regarding treatment of refunds to the Guidebook, Chapter 9.	Revision
2.4.1	Mandated the use of the Joint Appointment Module (JAM) in the Procurement Integrated Enterprise Environment for appointing DoD purchase card program accountable officials and clarified that JAM-rendered DD Forms 577, Appointment/Termination Record - Authorized Signature, are sufficient validation of these appointments.	Revision
3.7.4	Updated and moved content outlining requirements for GPC program supporting documentation to a dedicated subsection to enhance user clarity.	Addition
5.1	Clarified requirement for independent acceptance for accountable property and self-generated purchase card transactions and provided guidance on documenting acceptance procedure.	Revision
6.6.1	Highlighted that the bank's data mining tool will identify all convenience check transactions for review.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
6.7	Emphasized the responsibility of the commanding officer or civilian director in charge of an activity to ensure comprehensive annual reviews of all convenience check accounts, encompassing physical security, tax reporting, data mining case review effectiveness, and usage minimization.	Revision

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CHAPTER 23

PURCHASE CARD PAYMENTS

1.0 GENERAL

*1.1 Purpose

This chapter provides DoD policy for financial management-related activities within the purchase card program, including convenience check writing. This chapter supplements general payment policy described in other chapters, as well as DoD Government-wide Commercial [Purchase Card Program Policy](#) (hereafter referred to as DoD GPC Policy), and Office of Management and Budget [\(OMB\) Circular A-123, Appendix B](#). The DoD GPC Policy includes the [DoD Government-wide Commercial Purchase Card Guidebook](#) (hereafter referred to as the Guidebook) for Establishing and Managing Purchase, Travel, and Fuel Card Programs. Implementation of these policies must also comply with applicable Executive Orders, and component-specific guidance that may impose additional requirements or restrictions on the purchase card program. These documents assist DoD officials in establishing and managing purchase card programs.

1.2 Authoritative Guidance

* 1.2.1. This chapter establishes policy based on the statutory and regulatory requirements spelled out in [Title 10, United States Code \(U.S.C.\), section 4754](#); the Federal Acquisition Regulation [\(FAR\), Part 13](#); the Defense Federal Acquisition Regulation Supplement [\(DFARS\), Part 213; DFARS PGI 213.301](#); DoD GPC Policy; and the current General Services Administration (GSA) [SmartPay® 3](#) master contract and applicable task orders. All personnel must consult Executive Orders and applicable component-specific guidance, to ensure compliance with any additional or updated requirements for purchase card usage.

1.2.2. The Office of the Under Secretary of Defense for Acquisition and Sustainment (OUSD(A&S)) and the DoD Component Program Managers (CPM) are responsible for oversight of the purchase card program, to include policy formulation and procedural guidance. The Defense Contract Management Agency participates in operational oversight of the purchase card program administered by DoD Components.

2.0 PURCHASE CARD POLICY

2.1 Overview

2.1.1. Through task orders issued on the GSA master contract (SmartPay® 3), 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, and reducing procurement office workload. The use of purchase cards also streamlines payment processes by consolidating transactions from multiple merchants for payment under a

single invoice. The suite of services offered by the card-issuing banks includes web-based purchase log entry; electronic invoicing, statement review, approval, certification, and reporting; retention of transaction supporting data; as well as transaction data mining capabilities. Cardholders use purchase cards to make and/or pay for authorized government purchases, place and pay for orders against contracts, make payments against approved [Standard Form 182](#), Authorization, Agreement and Certification of Training (as authorized in the [DoD Guidebook for Miscellaneous Payments](#)), and pay for intragovernmental transactions. GPC transactions are subject to established limitations on transaction amount, billing cycle amount, and Merchant Category Codes (MCCs) as described in DoD GPC Policy.

2.1.2. A purchase card charge authorizes the card-issuing bank to make payment to the merchant or contractor consistent with the GSA master contract and these 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. Individuals responsible for purchase card violations (i.e., abuse, delinquency, internal fraud, or misuse) are subject to administrative and disciplinary actions as described in DoD GPC Policy and Component personnel policies and procedures.

2.1.3. Purchase card open market transactions are limited to the micro-purchase thresholds prescribed by [FAR 2.101](#), [10 U.S.C. § 3573](#), and [DFARS PGI 213.201\(g\)](#) that apply to the transaction being made. See DoD GPC Policy for specific guidance related to the application of current DoD micro-purchase thresholds. Any increase to a cardholder's delegated authority must be authorized by issuance and acceptance of a new Government Purchase Card Delegation of Procurement Authority Letter.

2.2 Audits

Pursuant to 10 U.S.C. § 4754(b)(14-15), the purchase card program is subject to periodic audits by the DoD Inspector General and the Military Services' audit agencies to determine whether the program complies with agency policy.

*2.3 Terminology for Unauthorized Purchase Card Transactions

Refer to [the Guidebook, Chapter 10, Section 10.4](#) and OMB Circular A-123, Appendix B, Attachment 6 for terminology and definitions of the specific categories of improper purchase card transactions, including guidance on what is reportable to OMB.

2.4 Purchase Card Accountable Officials

* 2.4.1. Within DoD, purchase card accountable officials are military members or civilian employees who are appointed in writing as cardholders, approving/billing officials, and certifying officers. Such appointments, made in accordance with Volume 5, Chapter 5 ([10 U.S.C. § 2773a](#) and [31 U.S.C. § 3528](#)), are necessary to establish pecuniary liability under the law governing accountable officials, other than those potentially liable under 10 U.S.C. § 4754(c). Accountable officials are responsible for providing information, data, or services to certifying or disbursing officers in support of the payment process and are responsible

for attesting to the accuracy of information and data in support of the payment to the card-issuing bank. DoD purchase card program [accountable officials](#) must be appointed within the Joint Appointment Module (JAM) of the Procurement Integrated Enterprise Environment (PIEE). JAM-issued [certifying officer appointments](#) satisfy the [DD Form 577, Appointment/Termination Record–Authorized Signature](#), appointment and distribution requirements of Volume 5, Chapter 5, paragraphs 4.1 and 4.2. If an Electronic Data Interchange-enabled invoice is rejected and converted to a manual payment, the JAM-rendered DD Form 577 is sufficient to validate the certifying officer’s appointment.

2.4.2. Foreign national employees cannot serve as purchase card certifying officers or accountable officials unless they are direct hire employees of the United States Government. However, prior to making such appointments, commanders must consider the potential consequences when the Status of Forces Agreements or other treaties do not subject direct hire local nationals to the same pecuniary liability or disciplinary actions as other DoD employees. If such appointments are necessary, commanders must 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.

2.5 Submission of Billing Statements

Policies, standards, and controls concerning the electronic submission, receipt, and processing of billing statements and transactions are contained in Chapter 8.

2.6 Delegation

As prescribed by [31 U.S.C. § 3325](#), the head of an executive agency may delegate the authority to assign personnel to perform the purchase card invoicing, reviewing, approving, and certifying responsibilities at the accountable official level. When authority is delegated, DoD Components will:

2.6.1. Designate each billing office, approving/billing official, and/or certifying officer within the Component’s activities to receive the official purchase card billing statements; and

2.6.2. Delegate the authority to certify official purchase card billing statements in accordance with Volume 5, Chapters 1 and 5.

2.7 Purchase Card Refunds and Credits

2.7.1. The terms “rebate” and “refund” are used interchangeably throughout the CFR, OMB guidance, existing legislation, and this chapter. The timely payment of a purchase card billing statement is a [factor for](#) refund computation. Purchase card billing statement payments must occur as soon as administratively possible when the refund offered is greater than the cost of funds as defined in [Title 5, Code of Federal Regulations \(CFR\), section 1315.8](#). The DoD will take advantage of refund offers only when it is economically justified and advantageous to the DoD. The DoD will follow the guidelines for taking discounts and refunds/rebates found in 5 CFR 1315.8; [FAR 32.906\(e\)](#); and OMB Circular A-123, Appendix B, Chapter 7. Billing

statements will be paid for the amount certified. See Chapter 2 for additional information and policy concerning refunds/rebates.

* 2.7.2. Refunds 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 refunds are received (see statutory note “Crediting of Refunds” within 10 U.S.C. § 4754). In accordance with OMB Circular A-123, Appendix B, Chapter 7, rebates/refunds can be used for any legitimate purchase by the appropriation or account to which they were returned, or as otherwise authorized by statute. Transaction credits, which are funds sent back to DoD from the contracted bank resulting from returned items, billing errors, overpayments, duplicate payments, or erroneous payments, must be credited to the original appropriation from which they were disbursed. See [the Guidebook, Chapter 9](#), regarding DoD GPC refund validation requirements.

2.8 Compromised Account Numbers

If an account number is compromised, or if a card has been lost or stolen, the cardholder must notify the approving/billing official, certifying officer, agency/organization program coordinator (A/OPC), and the card-issuing bank to close the account immediately.

3.0 INTERNAL CONTROLS

3.1 Overview

All DoD Component purchase card program policies, implementing procedures, and enterprise risk management programs must ensure the inclusion of internal controls to prevent, detect, and report improper purchase card transactions. Refer to DoD GPC Policy and [OMB Circular A-123, Appendix B](#), section 2.4.1 and Attachment 6, for terminology and definitions of improper or incorrect purchase card transactions.

3.2 Monthly Review

The monthly review checklist (Figure 23-1) is intended as a reference tool for use in examining the cardholder purchase card statement from the card-issuing bank. Use of the checklist will assist in delinquency management and avoid account suspensions. Refer to section 5.0 for cardholder, approving/billing official, and certifying officer responsibilities in the monthly statement review and reconciliation process.

3.3 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 DoD GPC Policy, along with those outlined in Chapters 1 and 8, will apply to the operation of a DoD Component purchase card program.

3.4 Merchant Category Codes

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 included in MCCs identified by OUSD(A&S) as high-risk sources for government purchases. DoD policy concerning MCCs is contained in DoD GPC Policy.

3.5 Data and System Access

Cardholder, approving/billing official, certifying officer, A/OPC, and Resource Manager (RM)/**Financial Manager (FM)** access to government and card-issuing bank's purchase card data and processing systems will be limited to that necessary to accomplish required tasks while maintaining proper separation of duties. Refer to DoD GPC Policy for specific requirements when such personnel transfer to other duties or depart from the organization.

3.6 Penalties for Unauthorized Use of the Purchase Card

Commanders and supervisors at all levels must ensure compliance with this chapter and the requirements of DoD GPC Policy. Military and civilian personnel who violate the provisions of this chapter or DoD GPC Policy, are subject to administrative and disciplinary action. In instances when an official directs a cardholder to purchase items or services that are subsequently determined to be violations, the official who directs the purchase may be subject to personal financial liability and to disciplinary action in accordance with OMB Circular A-123, Appendix B, Chapter 2, sections 2.5 and 2.10. See DoD GPC Policy for specific policies and requirements pertaining to disciplinary actions within the Government Charge Card Program.

3.7 Documentation

In accordance with 10 U.S.C. § 4754(b)(7), this Regulation, records management policies, and DoD GPC Policy, documentation 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.

3.7.1. Cardholders will establish clear audit trails for purchase card transactions by maintaining a purchase log and creating a purchase log entry that includes all fields required in the DoD GPC Policy for each purchase requirement and maintaining transaction supporting documentation in the card-issuing bank's Electronic Access System. This ensures cardholder billing statements, purchase log entries, and supporting documentation are available to the approving/billing official and certifying officer. This also fulfills electronic GPC disbursing office record retention requirements and supports auditability.

3.7.2. Volume 1, Chapter 9, Figure 9-1 provides the policy regarding document retention requirements for financial transaction records related to procuring goods and services, paying bills, collecting debts, and accounting.

3.7.2.1. On a case-by-case basis, and when determined the records are necessary to complete reconciliation of payment, collection discrepancies, audit requirements, or for other necessary purposes, an extension beyond the record retention period may be warranted. Refer to [44 U.S.C. § 2909](#) for authorization to retain records for a longer period than specified in disposal schedules.

3.7.2.2. In the event of account termination for both a cardholder and/or approving/billing official, management must ensure safeguards are in place to meet retention requirements.

3.7.3. In accordance with [the Guidebook](#), [the PIEE/JAM](#) is the mandatory enterprise tool for issuing and retaining GPC program appointments.

* 3.7.4. Minimum, supporting documentation required to support the DoD GPC program is as follows:

3.7.4.1. Account billing statements,

3.7.4.2. Cardholder purchase log,

3.7.4.3. Request to purchase or request for payment,

3.7.4.4. Verification of availability of funds as defined by the DoD Component's policy,

3.7.4.5. Proof of acceptance,

3.7.4.6. Vendor invoice, receipts, or order confirmations,

3.7.4.7. Approval documentation,

3.7.4.8. Cross references to any related contract, delivery or task order, or purchase order, and

3.7.4.9. Supporting documentation for any credit received (e.g., items returned).

Requirements at 3.7.4.1, 3.7.4.2, and 3.7.4.8 are generally accounted for in the card-issuing bank's Electronic Access System (EAS) and may not need to be retained as Electronic Attachments (EA), depending on Component policy. For the purposes of this section, EA refers to digitally scanned or uploaded documents attached to the transaction record in the EAS.

4.0 RESPONSIBILITIES

4.1 Overview

The reconciliation and account certification process for Statements of Account received from the card-issuing bank involves a coordinated responsibility between the cardholder, approving/billing official, and the certifying officer. Every individual involved in the purchase card process must report suspected purchase card non-compliances, improper transactions, or violations through the proper chain of command and in accordance with component policies (refer to DoD GPC Policy for definitions of these transactions). They must also complete required initial and refresher training in accordance with DoD GPC Policy, Component policy, and Volume 5, Chapter 5 requirements, and comply with the additional responsibilities for contingency operations and contracting events prescribed in the Guidebook, Appendix A.

4.1.1. Commanders and supervisors at all levels have the authority and the responsibility to ensure that military and civilian personnel under their supervision use purchase cards only as authorized. Commanders and supervisors are responsible for addressing purchase card non-compliances, improper transactions and violations.

4.1.2. Purchase card disbursing and certifying officers 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.

4.2 Heads of DoD Components

The Heads of DoD Components (or their designees) may delegate their authority in writing for the appointment of cardholders, approving/billing officials, A/OPCs, component program managers (CPMs), and certifying officers (see Volume 5, Chapter 5 for additional policy concerning appointments). In addition, Heads of DoD Components are responsible for managing commanders, directors, or other designated officials and their delegated authority for performing their duties and responsibilities as prescribed in DoD GPC Policy.

4.3 Component Program Manager (CPM)

The CPM serves as the Service's or Agency's functional representative with the Program Management Office and is responsible for developing/maintaining hierarchies, ensuring subordinate CPMs and A/OPCs perform their functions/roles, and interfacing with DoD level program offices regarding card-issuing bank performance issues in accordance with the DoD GPC Policy.

4.4 A/OPC

A/OPCs serve as the Agency's functional representatives and have oversight to manage and ensure the integrity of the purchase card program. The A/OPC is the individual appointed, as identified in DoD GPC Policy, 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/FM 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/FM in providing guidance to the cardholder on any legal or regulatory restrictions on the funds provided.

4.5 Commanding Officer or Director

4.5.1. 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/billing/certifying officials and must investigate all allegations of purchase card violations. The commanding officer or director must establish procedures for the activity that will permit rapid investigation and resolution of purchase card violations. They will convene or order an investigation in accordance with Volume 5, Chapter 6 and take all appropriate actions resulting from each investigation.

4.5.2. When authority has been delegated by the Head of the DoD Component, the commanding officer or director will appoint accountable officials in accordance with Volume 5, Chapter 5.

4.6 Payment Review Official

The review official is an individual that may be 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 review official.

4.7 Purchase Card Certifying Officer

The certifying officer 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 officer is liable for any illegal, improper, or erroneous payment processed by the DoD resulting from an inaccurate or misleading certification. The certifying officer'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, it is not always practical or possible. The certifying officer and approving/billing official duties may be performed by the same appointed person as discussed in Volume 5, Chapter 1. See Figures 23-1 and 23-2 for additional information concerning the monthly review checklist and certification statements. Purchase card certifying officers' responsibilities, as identified in Volume 5, Chapter 5, section 3.4 and DoD GPC Policy include, but are not limited to the following:

4.7.1. Ensuring transactions meet the legal requirements for authorized purchase card purchases;

4.7.2. Ensuring adequate documentation is available for individual transactions and cardholders have reconciled all transactions with purchase log entries;

4.7.3. Ensuring the facts presented in documents for payment are complete and accurate to include designation of the proper appropriation(s) or other funds;

4.7.4. Verifying the accuracy of computation of a voucher before certification;

4.7.5. Ensuring internal controls exist to prevent submission of duplicate invoices for the same transaction;

4.7.6. Ensuring all items and services have been received and procedures are in place to ensure transactions for items or services not received by the next billing cycle are disputed within the designated dispute timeline;

4.7.7. Ensuring the cardholder is familiar with the dispute process of the servicing bank and implementing dispute procedures when warranted. Refer to paragraph 5.7 regarding disputed transactions;

4.7.8. Reviewing and certifying the Statement of Account and forwarding it to the designated entitlement and/or disbursing office for payment processing. Figure 23-2 contains the language for the certifying officer's certification statement;

4.7.9. Ensuring cardholder billing statement transactions are reallocated to other accounting classifications, if necessary, prior to the actual certification of the invoice; and

4.7.10. Ensuring the cardholder billing statement and all original supporting documentation (e.g., receipts, logs, invoices, delivery orders, and approvals) is retained to comply with the requirements for record retention. This retention must capture and leverage origination of electronic data contained in automated systems so that it may be shared across the DoD's various platforms.

4.8 Approving/Billing Official

The approving/billing 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 card transactions are necessary and for official government purposes only.

4.8.1. Approving/billing officials are responsible for providing information and data to certifying or disbursing officers in support of the payment process. A purchase card approving/billing official is responsible for attesting to the accuracy of information and data provided to a purchase card certifying officer in support of a payment to the card-issuing bank. Purchase card approving/billing officials are 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 officer, if the erroneous payment is the result of negligence relative to the performance of assigned duties.

4.8.2. The approving/billing official will review each cardholder's billing statement every month to verify 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) has been properly recorded on government property accountability records in accordance with component [property accountability policy](#) and [DoDI 5000.64](#), “Accountability and Management of DoD Equipment and Other Accountable Property.” The capitalization threshold and accountability requirements for property, plant, and equipment purchased are provided in Volume 4, Chapters 24-28. Each approving/billing official will have a reasonable span of control over cardholders in accordance with DoD GPC Policy. The approving/billing official’s responsibilities referenced in DoD GPC Policy include, but are not limited to the following:

4.8.2.1. Coordinating purchase card limits and MCC exclusions with the RM/FM and A/OPC for cardholders under their purview;

4.8.2.2. Ensuring each cardholder fulfills his or her responsibilities as identified in DoD GPC Policy;

4.8.2.3. Reviewing/reconciling his or her cardholder’s billing statements and approving the statement when the cardholder cannot perform this function. A purchase card checklist, included as Figure 23-1, may be used as a tool by approving/billing officials and certifying officers to document due diligence in billing statement reviews;

4.8.2.4. Verifying all transactions are legal, proper, and mission essential in accordance with the FAR, DFARS, and DoD policies and regulations;

4.8.2.5. Ensuring monthly Statement of Account accuracy and forwarding the monthly Statement of Account and all original supporting documentation (e.g., receipts, logs, invoices, delivery orders, and approvals) to the certifying officer;

4.8.2.6. Reviewing, approving, and forwarding the monthly Statement of Account to the certifying officer (if not the same as the approving/billing official). Figure 23-2 contains the language for the approving/billing official’s certification statement;

4.8.2.7. Resolving any questionable purchases with the cardholder;

4.8.2.8. Notifying the A/OPC of any personnel changes that may require cardholder or managing account closure;

4.8.2.9. Notifying the A/OPC and certifying officer (if not the approving/billing official) of any planned approving/billing official reassignment to other duties or departure from the installation or activity;

4.8.2.10. Notifying the A/OPC and certifying officer (if not the approving/billing official) of any lost/stolen cards (in addition to the cardholder notifying the card-issuing bank); and

4.8.2.11. Completing service and agency-specific training.

4.9 Authorized Cardholder

The cardholder is the individual appointed in accordance with the policies contained in DoD GPC Policy and Volume 5, Chapter 5. DoD GPC Policy addresses the responsibilities of cardholders, their required use of a purchase log, and the responsibilities of others charged with cardholder and cardholder account management, reconciliation, and oversight. From a financial management perspective:

4.9.1. A cardholder will ensure funds are available prior to making the purchase;

4.9.2. A cardholder will perform a review of the monthly cardholder Statement of Account as described in paragraph 5.2;

4.9.3. When a cardholder uses the card to make unauthorized transactions, (see paragraph 2.3), the cardholder may be liable for any illegal, improper, or erroneous payment resulting from those transactions, and be subject to pecuniary liability (including reimbursing the Government for unauthorized or erroneous purchases through salary offset) or appropriate adverse personnel actions; and

4.9.4. In cases where an erroneous charge is not disputed timely, the cardholder may also be held accountable.

4.10 Convenience Check Account Holder

The convenience check account holder is a military member or civilian employee appointed as prescribed in DoD GPC Policy. In addition to the responsibilities of an authorized cardholder addressed in paragraph 4.9, the convenience check account holder is also responsible for ordering, receiving, storing, safeguarding, inventorying, reconciling, and disposing of check stock. Convenience check account financial management policy is addressed in section 6.0. The convenience check account holder is responsible for tax reporting for the convenience checks they issue and for obtaining a signed Internal Revenue Service ([IRS Form W-9](#)), Request for Taxpayer Identification Number and Certification, so that an [IRS Form 1099-MISC, Miscellaneous Information](#), can be issued to the convenience check payee. Reporting requirements are set forth at paragraph 6.3. The convenience check account holder will not perform the functions of approving/billing officials or certifying officers on the managing account for which they are a check writer. The commanding officer, director, or designee with oversight responsibility will cancel the convenience check privileges of cardholders who improperly use convenience checks.

4.11 Resource Manager/[Financial Manager](#)

The RM/[FM](#) is the individual designated by a [component](#) to record formal commitments and obligations into the accounting system. The RM/[FM](#) will establish commitments in advance in amounts no less than the periodic purchase limits authorized for commercial purchase cards or at the [individual requirement](#) level. Advance reservations of funds or [commitments](#) are established by the RM/[FM](#), 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 [assists in ensuring](#) 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/FM responsibilities associated with the purchase card program, referenced in DoD GPC Policy, include, but are not limited to the following:

4.11.1. Coordinating funding and spending limits with approving/billing officials and A/OPCs, to include providing advice on legal or regulatory constraints on the use of funds;

4.11.2. Providing approving/billing officials and cardholders official notification of funding;

4.11.3. Assigning default and alternate lines of accounting (LOAs), and ensuring they are entered into the card-issuing bank's system for electronic invoicing, receipt, and processing;

4.11.4. Providing reallocation authority to cardholders and approving/billing officials, when necessary. The process of reallocation, which gives the cardholder the capability to select different LOAs for a transaction rather than the default line, is set up by the cardholder's supporting RM/FM;

4.11.5. Receiving and correcting invoice rejects with the certifying officer's assistance;

4.11.6. Assisting with resolving accounts in a delinquent status and providing payment information when requested; and

4.11.7. 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.

4.12 Entitlement Office

For the purpose of this chapter, the term "entitlement office" is defined as the office that processes the card-issuing bank's payment request (i.e., Statement of Account) after certification by the certifying officer. Responsibilities of the entitlement office include, but are not limited to the following:

4.12.1. Verifying the amount certified for payment on the invoice matches the amount certified per the certified disbursement voucher;

4.12.2. Validating sufficient funds have been obligated in the accounting records;

4.12.3. Notifying the certifying officer and RM/FM within one business day of invoices rejected, including a detailed reason for the rejection. Upon resubmission of the rejected transactions, processing will include the Standard Document Number/contract number of the original transaction; and

4.12.4. Computing late payment interest penalties in accordance with Chapter 7 and provisions of the card-issuing bank's contract, if applicable.

4.13 Disbursing Office

The disbursing office verifies that the certifying officer's DD Form 577 has been completed in the PIEE/JAM 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. See Volume 5, Chapter 9 for additional disbursing policy.

5.0 STATEMENT RECONCILIATION AND CERTIFICATION

*5.1 Receipt and Acceptance

The cardholder will ensure receipt and acceptance and perform proper documentation of all purchases made. Independent acceptance by an individual, other than the cardholder, is required for accountable property purchases and self-generated purchases (i.e., purchases lacking a documented request to purchase from someone other than the cardholder). Accountable property, as identified in DoDI 5000.64, includes sensitive, classified, and pilferable property type items. Refer to the Guidebook for additional circumstances that may require independent acceptance and the use of the Wide Area Workflow module within the PIEE when the purchase card is used as a method of payment against a contract.

5.1.1. To verify proof of acceptance, record the date accepted, along with the signature (or electronic alternative when supported by internal controls), printed name, and office designator or address of the accepting official on the sales invoice, itemized packing slip, bill of lading, or other component-approved acceptance documentation. Record the name of the independent individual confirming acceptance in the cardholder purchase log.

5.1.2. Local procedures may specify additional circumstances (e.g., based on cost) requiring evidence of acceptance by an individual other than the cardholder. The approving/billing official will verify the existence of acceptance documentation. The approving/billing official may also physically verify acceptance. The recording, tracking, and management of pilferable, sensitive, high-valued, or otherwise accountable property obtained with the purchase card will be in accordance with component property accountability policy and DoDI 5000.64.

5.2 Cardholder Review

The cardholder's Statement of Account from the card-issuing bank details all the transactions posted against his or her account through the end of the billing cycle.

5.2.1. Each cardholder must reconcile his or her Statement of Account, ensure a purchase log entry has been created for each transaction/purchase, and retain supporting documentation as specified in DoD GPC Policy to ensure accurate and timely payments. Cardholders will review their statements to identify any discrepancies and, as appropriate, attempt to resolve the issue(s)

with the merchant or, in accordance with bank procedures, dispute the transaction(s) or report the external fraud (see paragraph 5.7).

5.2.1.1. Under the billing discrepancy provisions of the GSA master contract, the cardholder must report cases of fraud to the card-issuing bank, the A/OPC, the commanding officer or director, and the local procurement fraud investigative authority for investigation and adjudication. The cardholder must also comply with the bank's fraud reporting procedures.

5.2.1.2. Known or suspected fraudulent transactions not authorized by the cardholder must not be approved for payment. If the fraudulent transaction is not removed by the bank by the end of the billing cycle, the invoice will be manually processed, excluding the amount of the transaction(s) in question, and then certified for payment. Due to timing issues, if the transaction in question has already been paid, the bank will issue a transaction credit on the next billing statement in accordance with the SmartPay contract. Cardholders must 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 will 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 cardholder Statement of Account.

5.2.2. If the cardholder cannot resolve the discrepancy by obtaining a credit from the merchant, then the cardholder will officially dispute the transaction with the card-issuing bank following the procedures in paragraph 5.7.

5.2.3. The cardholder will sign and date the Statement of Account (preferably electronically) and forward it, with the necessary supporting documentation, to the approving/billing official for action. Figure 23-2 contains the language for the cardholder's certification statement.

5.2.4. If the cardholder cannot review the Statement of Account upon receipt (e.g., due to leave or business travel), then he or she will make his or her cardholder Statement of Account and supporting documentation available to the approving/billing official or certifying officer for timely review.

5.3 Approving/Billing Official Review

The approving/billing official must review each transaction made by cardholders under their managing account to ensure all supporting documentation is available and correct. The approving/billing official will ensure cardholder reviews have been completed properly; ensure billing discrepancies have been resolved with the merchant, disputed, or reported as fraud as necessary; ensure **acceptance** and documentation of all accountable property; verify all transactions were necessary government purchases; and perform any other functions required by DoD GPC Policy and other component policies and procedures.

5.3.1. Under billing discrepancy provisions of the GSA master contract, known or suspected fraudulent transactions not authorized by the cardholder must not be certified for payment and must be reported to the card-issuing bank, A/OPC, commanding officer or director,

and the local fraud investigative authority for investigation and adjudication. Refer to subparagraphs 5.2.1.1 and 5.2.1.2 for additional guidance concerning the review and handling of fraudulent transactions. If not done so by the cardholder, the approving/billing official should ensure fraudulent transactions are disputed in accordance with applicable card-issuing bank procedures and reported as fraudulent in accordance with the card-issuing bank fraud reporting procedures, as well as those of the component.

5.3.2. The government is contractually obligated to pay the card-issuing bank for all purchase card transactions made by an authorized cardholder other than those successfully disputed or that result from external fraud. This includes those made by an authorized cardholder in violation of purchase card policies (e.g., unauthorized or incorrect as defined by OMB Circular A-123, Appendix B, section 2.4.1). Every purchase made by an authorized cardholder using an authorized card creates a contractual obligation of the government to pay the card-issuing bank. Report these purchase card violations to the A/OPC, appropriate authorities, and/or management officials for investigation and corrective action in accordance with component policies and procedures.

5.3.3. For transactions that are determined to be purchase card violations, the approving/billing 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.

5.3.4. For transactions that may be questionable, the approving/billing 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 not to be external fraud, or otherwise disputable, then it must be approved for payment. The approving/billing official will continue to follow up 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.

5.3.5. When the approving/billing official is appointed collaterally as the certifying officer, he or she will also complete the requirements in paragraph 5.4.

5.4 Certifying Officer Review

The certified billing statement is the official invoice for payment purposes.

5.4.1. The certifying officer will review and certify the billing statement (preferably electronic) and forward it to the designated entitlement and/or disbursing office for timely payment processing. Figure 23-2 contains the language for the certifying officer's certification statement. See Volume 5, Chapter 5 for additional policy concerning certification requirements.

5.4.2. The certifying officer must not certify a known or suspected fraudulent transaction that was not authorized by the cardholder. The certifier must not certify payments if the card or the card number applies to transactions generated by an unauthorized user, such as a merchant entering the wrong card number, or the transaction occurs after reporting the card or card number lost or stolen. The certifying officer will follow agency procedures for addressing all fraudulent or abusive transactions, or other instances of purchase card misuse.

5.4.3. Pursuant to 31 U.S.C. § 3528, a certifying officer 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 officer 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.

5.5 Payment Without Receipt and Acceptance

In accordance with DoD GPC Policy, the DoD is authorized to certify invoices for payment of micro-purchases prior to the verification that all items billed have been received and accepted. The cardholder, as part of the monthly reconciliation of their Statement of Account, will annotate instances of non-receipt for recently ordered goods or services on each statement. Each approving/billing official is required to establish a system and related procedures to flag and track all transactions 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 **and acceptance** verified no later than 45 days after the invoice date. If there is no documented evidence verifying receipt and acceptance after the 45-day period, the cardholder must protect the government's rights by disputing the transaction. The cardholder is responsible for notifying the bank of any item in dispute and will have 90 calendar days from the date the transaction was processed/posted to the account. The cardholder must file a formal dispute in accordance with paragraph 5.7.

5.6 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 must 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 when invoices are transmitted to the entitlement office. The entitlement office will ensure that only the amount certified for payment by the certifying officer is processed for payment.

5.7 Disputed Transactions

A transaction dispute may occur in a situation in which the Government questions the validity of a transaction included on the cardholder Statement of Account. Transactions should be disputed only after all attempts have been made to resolve the issue directly with the merchant. Reasons to dispute a transaction include circumstances where the cardholder did not authorize the

transaction, the amount of the transaction is incorrect, the quality or service is unacceptable, the information on the transaction is erroneous or is a duplicate of an existing transaction, the material was returned or service was cancelled and a credit was not issued by the merchant within 30 days. The cardholder must dispute the transaction as soon as possible in accordance with the timetable and provisions contained in the tailored task orders with the card-issuing bank, the DoD GPC Policy, and local procedures.

5.7.1. For instances where items appear on the billing statement, but have not been received, the cardholder will contact the merchant 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.

5.7.2. Approving/billing officials will monitor cardholder items billed versus receipt and acceptance discrepancies to ensure any remaining discrepancies are disputed.

5.7.3. Fraudulent transactions include, but are not limited to, transactions made on lost or stolen cards, incidences of compromised card numbers, or transactions initiated by unauthorized third parties. These transactions do not follow the dispute process but rather must be reported as fraudulent in accordance with the card-issuing bank fraud reporting procedures, DoD GPC Policy, and those of the Component.

5.8 Summary Accounting

To reduce transaction processing fees, DoD activities will summarize accounting data, where systems capabilities are available to preclude any duplication of 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.

5.8.1. Approving/billing officials and certifying officers 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, match each planned disbursement with a recorded obligation (as described in Chapter 1 and Volume 3, Chapter 8), and prevent unmatched disbursements.

5.8.2. The following methods will be used to facilitate summary-level accounting:

5.8.2.1. Use the minimum number of LOAs per purchase card to satisfy mission requirements;

5.8.2.2. Establish approving/billing 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

5.8.2.3. Use the object class that is most appropriate for the types of transactions made with the card.

6.0 CONVENIENCE CHECKS

6.1 Overview

Use of convenience checks must be minimized and designated as a purchase instrument of last resort. They will only be used if the merchant offering the goods or services does not accept or does not have the ability to process the purchase card, no other merchant can reasonably be located, and it is not practical to pay for the items using the traditional procurement method.

6.1.1. A discrete account must be set up in order to issue convenience checks. Convenience checks and normal purchase card accounts may be issued under a single managing account, but they must not be commingled. The transactions reported during the billing cycle for the convenience check and purchase card accounts will appear on the cardholder's Statement of Account.

6.1.2. Convenience check accounts are provided by the card-issuing bank in accordance with the terms of the tailored task orders with the bank. The card-issuing banks operate a convenience check writing system that allows DoD activities, including overseas locations, to make selected purchases and payments using checks to replace cash for official expenses, when card products and other alternatives have been determined unusable. The card-issuing banks offer "help desk" assistance and reporting capabilities with a variety of reporting media and frequencies to assist with performing oversight activities.

6.1.3. 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 will 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 will not be used for employee reimbursements, cash advances, cash awards, travel-related transportation payments, meals, or payroll/salary payments. For additional information concerning convenience check requirements and restrictions on their use, refer to DoD GPC Policy.

6.2 Printed Convenience Checks and Issuing Bank Requirements

The GSA contract provides responsibilities of the card-issuing bank for convenience check accounts. The card-issuing bank will ensure convenience checks are sequentially pre-numbered duplex documents (one copy for the cardholder's records and the original for the merchant).

6.3 IRS Form 1099 Requirements for Convenience Check Account Holders

6.3.1. The Defense Finance and Accounting Service (DFAS) has tax form issuance and IRS reporting responsibilities for the DoD convenience check program.

6.3.2. DFAS obtains the universe of DoD convenience check payment data from the GSA contracted bank that is responsible for convenience check accounts. DFAS provides the convenience check payment data to the applicable A/OPC, Account Manager, and Convenience Check Account Holder for determining the tax reporting requirements and completion of specifically identified data not available to, or captured by, the contracted bank. The Convenience Check Account Holder is responsible for ensuring the completion and return of the data to DFAS.

6.3.3. Using the information provided by the Convenience Check Account Holder, DFAS issues the tax forms to the convenience check payees and electronically reports the data to the IRS.

6.3.4. A/OPCs, Account Managers, and Convenience Check Account Holders that do not return the requested information to DFAS are responsible for their own tax form issuance and IRS tax reporting.

6.3.5. Additional tax reporting guidance for convenience check payments is located at <https://www.dfas.mil/contractorsvendors/taxinfo/Convenience-Check-1099PRO/>.

6.4 Authorizing and Establishing Convenience Check Accounts

Requests to establish an account for convenience checks must be justified in writing and in accordance with the provisions established in DoD GPC Policy. A specific individual must be designated as the account holder responsible for that account via the proper application forms and delegation of authority letters. Those forms will be submitted through the DoD activity's existing purchase card hierarchical structure.

6.5 Conditions for Using Convenience Check Accounts

The authorized threshold for convenience checks is one half of the applicable micro-purchase threshold ([41 U.S.C. § 1902, statutory notes](#)). See DoD GPC Policy and FAR 2.101 for alternative thresholds pertaining to situations involving declared contingencies or emergency-type operations either within the United States or outside the United States. In order to maintain effective internal controls, approving/billing officials, payment review officials, and certifying officers will not perform the functions of convenience check custodian or cashier. Additional conditions on the use of convenience checks are as follows:

6.5.1. 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 applicable micro-purchase threshold or other assigned limits;

6.5.2. Convenience checks will be used for official government purposes only;

6.5.3. Convenience checks will not be issued as an “exchange-for-cash” vehicle to establish cash funds;

6.5.4. If convenience checks are mailed to payees, then local internal controls must be in place to avoid duplicate payments being made to them;

6.5.5. 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; and

6.5.6. Convenience checks are negotiable instruments and **must be treated like cash for security purposes**. Local policies and procedures must be implemented to provide safeguards to prevent physical loss, theft, or potential forgery. 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.

6.6 Reconciliation of Convenience Check Accounts

The convenience check account holder will reconcile the Statement of Account as part of the monthly billing cycle against his or her supporting documentation in accordance with the standard payment practices established for the purchase card in section 5.0.

* 6.6.1. Convenience check accounts and transactions must be reviewed in accordance with the **Guidebook**. The **Guidebook** requires the review and approval of each convenience check case (transaction) generated by the bank's data mining review tool. **The data generated by the bank's data mining tool will ensure all convenience check transactions are identified for review**. Convenience check transaction reviews will ensure each convenience check transaction was authorized, properly funded and approved, appropriate for Government use, does not exceed allowable limits, includes supporting documentation, and any other requirement of Component policies. Any suspected violations will be reported to the appropriate management and investigative authorities in accordance with established policies (see DoD GPC Policy for terminology and definitions of the specific categories of unauthorized or inappropriate transactions).

6.6.2. 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.

6.6.3. 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.

*6.7 Annual Convenience Check Account Reviews

The military officer in command or the civilian director in charge of an activity responsible for implementing the purchase card financial management policies of this chapter must ensure each convenience check account is reviewed annually by an individual other than the convenience

check account holder. This review must validate compliance with DoD and component policies and procedures for:

6.7.1. Physical security of checks (see subparagraph 6.5.6);

6.7.2. Timely and accurate completion of IRS Form 1099 tax reporting requirements by DFAS mandated deadlines (see paragraph 6.3);

6.7.3. Completion and effectiveness of data mining case reviews of convenience check transactions, to include the review of transaction supporting documentation; and

6.7.4. Minimization of convenience check use (see paragraph 6.1).

7.0 CONTINGENCY CONTRACTING EVENTS

The Guidebook, Appendix A, provides the relevant regulatory and related Departmental policies regarding the use of purchase cards in support of emergency-type operations (e.g., contingency contracting events.) The financial management policies related to purchase cards, as previously identified in this chapter, remain in place for contingency operations and contracting events unless otherwise noted.

Figure 23-1. Approving/Billing Official and Certifying Officer Monthly Review Checklist

This checklist is for approving/billing official and certifying officer 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/Billing 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 and delinquent balances with the cardholder and, if necessary, advise the cardholder to dispute transactions with the card-issuing bank or report fraudulent transactions. Annotate disputed and fraudulent transactions on the billing statement.	
Review past transactions that were certified for payment without proof of receipt and acceptance to confirm with the cardholder that receipt and acceptance occurred . If receipt and acceptance cannot be confirmed, then direct the cardholder to dispute the transaction.	
Annotate any identified delinquent balances and suspected purchase card violations on the billing statement and report such matters to the A/OPC so the transaction can be disputed or investigated as appropriate. In cases of suspected external fraud, report the matter to the card-issuing bank in accordance with DoD GPC Policy.	
In the case of suspected internal fraud by government personnel (e.g. cardholder/receiver), document the suspected internal fraud and notify the appropriate investigative office and the A/OPC so the transaction(s) can be investigated.	
Ensure supporting documentation (e.g., request to purchase or request for payment , approvals, receipt and acceptance , logs, and invoices) is included in the official repository in accordance with DoD GPC Policy.	
Sign or execute electronically the approving/billing official and certifying officer certification statements and forward the certified statements to the payment office.	

Figure 23-2. 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/[Financial Manager](#);
- (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; and
- (5) Have not been split into smaller segments to avoid dollar limitations.”

Authorized Cardholder Signature and Date (or electronic signature)

- The Approving/Billing Official (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/Billing Official Signature and Date (or electronic signature)

- The Purchase Card Certifying Officer certification statement will read:

“Pursuant to the 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 electronic signature)