



PGI Special Payment Instructions Overview

Defense Finance and Accounting Service

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- ▶ Payment instructions inform the payment office how to allocate the disbursement across the different funding sources provided on a given contract. The scope of payment instructions applies to contracts and any separately priced orders that:
 - ✓ Include multi-funded contract line items that are not broken out into separately identifiable subline items;
 - ✓ Contain cost-reimbursement or time-and-materials/labor-hour line items; or
 - ✓ Authorize financing payments



PGI 204.7108 – Payment Instructions (DFARS Case 2018-P001) December 1, 2017

- Assigned by Contracting Officer
- Applied at Contract or CLIN level
- 12 PGI Payment Instructions
 - 6 Line Item Specific
 - 5 Contract-Wide
 - 1 “Other”



- Derived based on PGI Matrix
- Invoice level (WAWF payment request type + Effort)
- 6 PGI Payment Instructions
 - Line Item Proration
 - Line Item by Fiscal Year
 - Contract-Wide Proration
 - FMS Allocation (PPRB)
 - Specified in Approved Payment Request
 - “Other”



PGI Matrix 12-1-17 with Clarification



Contract/Order Payment Clause	Type of Payment Request Billing Instrument	Supply	Service	Construction	Payment Office Allocation Method
One CLIN/ One ACRN	PGI is driven by type of Billing Instrument				PGI is not necessary
52.212-4 (Alt I), Contract Terms and Conditions—Commercial Items; 52.216-7, Allowable Cost and Payment; and 52.232-7, Payments Under Time-and-Materials and Labor-Hour Contracts	Cost Voucher; BVN; SER	X	X	N/A	Line Item Specific proration . If there is more than one ACRN within a deliverable line or deliverable subline item, the funds will be allocated in the same proportion as the amount of funding currently unliquidated for each ACRN on the deliverable line or deliverable subline item for which payment is requested. CLINS with more than one ACRN will be prorated across those ACRNS for that CLIN only.
52.232-1, Payments	Navy Shipbuilding Invoice (Fixed Price); DD250, invoice, 2in1, combo	X	N/A	N/A	Line Item specific by fiscal year . If there is more than one ACRN within a deliverable line or deliverable subline item, the funds will be allocated using the oldest funds. In the event of a deliverable line or deliverable subline item with two ACRNs with the same fiscal year, those amounts will be prorated to the available unliquidated funds for that year. CLINS with more than one ACRN will be paid using the ACRN with the oldest funds first, then onwards until completely expended/ disbursed.
52.232-1, Payments; 52.232-2, Payments under Fixed-Price Research and Development Contracts; 52.232-3, Payments under Personal Services Contracts; 52.232-4, Payments under Transportation Contracts and Transportation-Related Services Contracts; and 52.232-6, Payments under Communication Service Contracts with Common Carriers	Invoice; Combo; 2in1	X	X	N/A	Line Item Specific proration . If there is more than one ACRN within a deliverable line or deliverable subline item, the funds will be allocated in the same proportion as the amount of funding currently unliquidated for each ACRN on the deliverable line or deliverable subline item for which payment is requested. FFP CLINS with more than one ACRN will be prorated across those ACRNS for that CLIN only.

New PGI Matrix, Cont.



52.232-5, Payments Under Fixed-Price Construction Contracts	Construction Payment Invoice; DD250, 2in1, combo	N/A	N/A	X	Line Item specific by fiscal year . If there is more than one ACRN within a deliverable line or deliverable subline item, the funds will be allocated using the oldest funds. In the event of a deliverable line or deliverable subline item with two ACRNs with the same fiscal year, those amounts will be prorated to the available unliquidated funds for that year. CLINS with more than one ACRN will be paid using the ACRN with the oldest funds first, then onwards until completely expended/ disbursed.
52.232-16, Progress Payments	Progress Payment*	X	X	N/A	Contract-wide proration. Funds shall be allocated in the same proportion as the amount of funding currently unliquidated for each ACRN. Progress Payments are considered contract level financing, and the "contract price" shall reflect the fixed price portion of the contract per FAR 32.501-3. FFP FUNDS ONLY with more than one ACRN will be prorated across those ACRNS for that FFP CLIN only.
52.232-29, Terms for Financing of Purchases of Commercial Items; 52.232-30, Installment Payments for Commercial Items	Commercial Item Financing*	X	X	N/A	Specified in approved payment. <u>The contracting officer shall specify the amount to be paid and the account(s) to be charged for each payment approval in accordance with FAR 32.207(b)(2) and 32.1007(b)(2).</u> Contracting Officer specifies CLINS and amount per ACRN

New PGI Matrix, Cont.



52.232-32, Performance-Based Payments	Performance-Based Payments*	X	X	N/A	Specified in approved payment. <u>The contracting officer shall specify the amount to be paid and the account(s) to be charged for each payment approval in accordance with FAR 32.207(b)(2) and 32.1007(b)(2).</u> Contracting Officer specifies CLINS and amount per ACRN
252.232-7002, Progress Payments for Foreign Military Sales Acquisitions	Progress Payment* FMS	X	X	N/A	Allocate costs among line items and countries in a manner acceptable to the Administrative Contracting Officer. Administrative Contracting Officer specifies CLINS and amount per ACRN

*Liquidation of Financing Payments. Liquidation will be applied by the payment office against those ACRNs which are identified by the payment instructions for the delivery payment (**FFP only**) and in keeping with the liquidation provision of the applicable contract financing clause (i.e., progress payment, performance-based payment, or commercial item financing).

New PGI Matrix Other (PGI-Other)



Effective 12/1/17, new PGI instructions implemented. PGI is now determined by the type of payment request (i.e. Cost Voucher, Invoice, PBP, CIF, etc.).

It also provides PGI - Other. If none of the payment instructions identified in paragraph b2 of this section are appropriate, the contracting officer may insert other payment instructions, provided the other payment instructions -

- (i) provide a significantly better reflection of how funds will be expended in support of contract performance: and
- (ii) are agreed to by the payment office (DFAS) and the contract administration (DCMA) office. A copy of the agreement will be kept in the contract file.
- (iii) The agreed upon instructions must be included in the formal contract document.**

The MFR must state how the implementation of PGI – Other will provide improved execution of funds over the standard PGI instructions. This methodology of payment will be 100% manual on the DFAS side and will cost the service more money to process. DFAS requests special permission be obtained in writing from the FM to assume the cost of manual payment.

No retroactive changes in payment instructions will be performed by DFAS.

Points of Contact



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BACKUP



Code	Clause	Screen
001	252.204-0001 Line Item Specific: Single Funding. (SEP 2009)	Line Item Detail
002	252.204-0002 Line Item Specific: Sequential ACRN Order. (SEP 2009)	Line Item Detail
003	252.204-0003 Line Item Specific: Contracting Officer Specified ACRN Order. (SEP 2009)	Line Item Detail
004	252.204-0004 Line Item Specific: by Fiscal Year. (SEP 2009)	Line Item Detail
005	252.204-0005 Line Item Specific: by Cancellation Date. (SEP 2009)	Line Item Detail
006	252.204-0006 Line Item Specific: Proration. (SEP 2009)	Line Item Detail
007	252.204-0007 Contract-wide: Sequential ACRN Order. (SEP 2009)	Provisions
008	252.204-0008 Contract-wide: Contracting Officer Specified ACRN Order. (SEP 2009)	Provisions
009	252.204-0009 Contract-wide: by Fiscal Year. (SEP 2009)	Provisions
010	252.204-0010 Contract-wide: by Cancellation Date. (SEP 2009)	Provisions
011	252.204-0011 Contract-wide: Proration. (SEP 2009)	Provisions
012	Other	Provisions



PGI Matrix Other (12) Approval Process



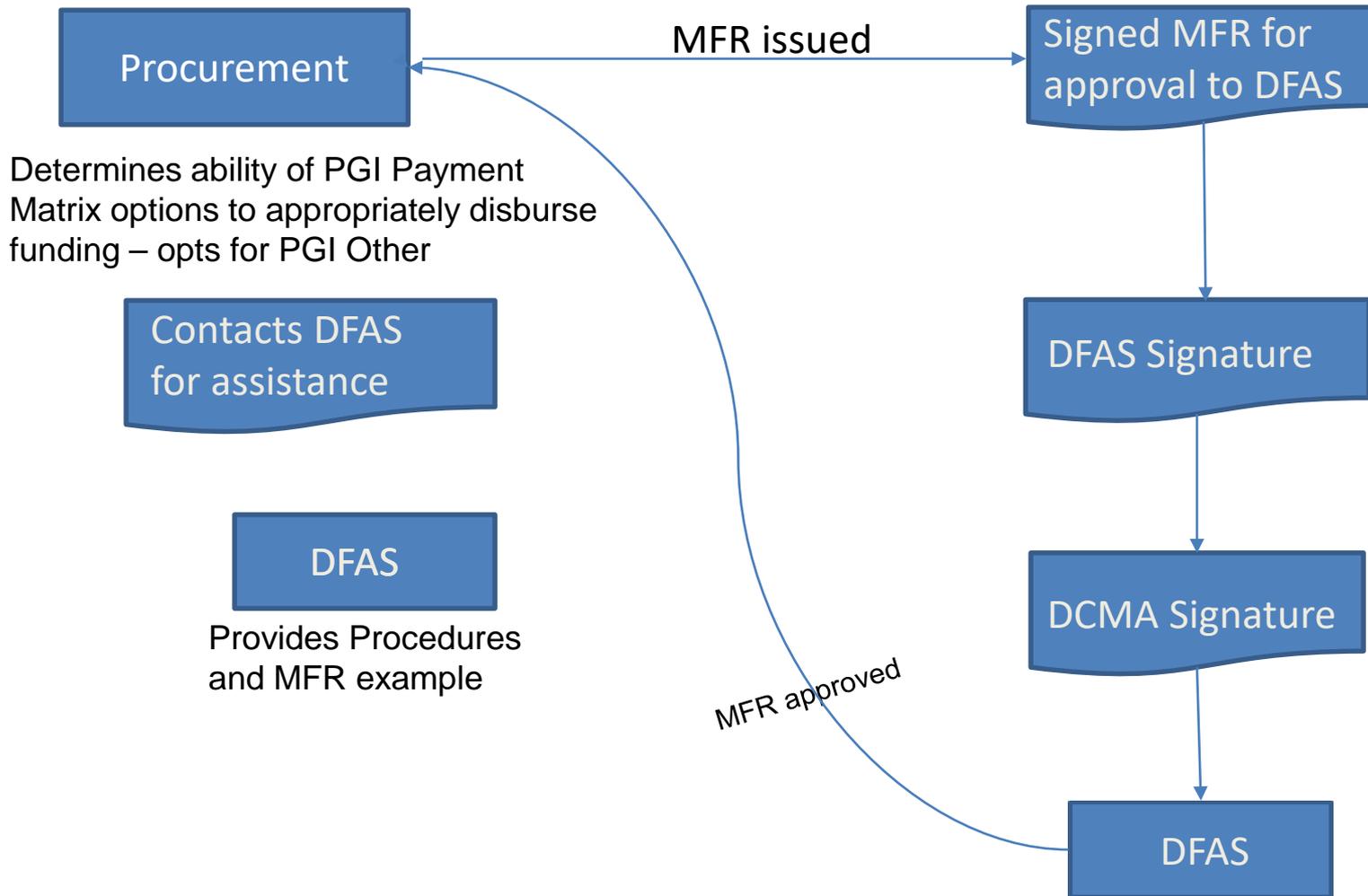
- ▶ Procurement submits MFR request to dfas.dscc.jal.mbx.ap-mocas-pgi-other12@mail.mil
- ▶ DFAS will coordinate with DCMA review based upon criteria provided by OUSD(C)

Scenario #	Description	Conclusion	Rationale
1	Blanket Approval to use "Other" at the Program-wide level	Disapproved	Each contract stands on its own and must be specifically justified as to why the existing guidance is not sufficient.
2	Pay as Billed	Disapproved	Pay as billed does not meet intent of GAAP and Fiscal Law. Additionally, this payment method could be perceived by auditors and taxpayers as allowing the contracting community to determine execution of government funds.
3	Oldest Funds First where all ACRNs on the CLIN are from the same Military Service/Defense Agency by fund type (WCF/GF)	Approved	This approach still allows for proper matching of the charge to the activity that received the service/product with the application of payment to the corresponding entity.
4	Oldest Funds First where the CLIN is funded by multi-Military Service/Defense Agency ACRNS	Disapproved	This scenario would result in inappropriate accounting—GAAP requires proper matching to the activity that received the service/product with the application of payment to the corresponding entity.
5	Pay as Directed multi-service funding	Disapproved	This scenario would result in inappropriate accounting—GAAP requires proper matching of receiving received the service/product with the application of payment to the corresponding entity.
6	Pay in accordance with contracting officer/DCAA approved billing	Approved	This approach still allows for proper matching of the charge to the activity that received the service/product with the application of the payment to the corresponding entity.

- ▶ Final decision is provided via email to requestor
- ▶ Signed MFRs are attached to contract/ modification in EDA to become part of the contractual documents (DFARS 204.270-1)
- ▶ All requests and responses are tracked via PGI Approval Tracking spreadsheet



MFR Review/ Approval Flow



Common Scenarios Encountered



- ▶ Contract issued after 12/1/17 that requires a payment instruction but one is not cited
 - ✓ **DFAS will issue CDR requiring reference to the new payment instruction matrix**

- ▶ Contract issued pre-12/1/17 with an unresolved CDR for not citing a payment instruction
 - ✓ **Contract will be required to reference the new payment instruction matrix and invoices will be paid according to the prescribed allocation methodology for that invoice type**

- ▶ Contract issued pre-12/1/17 that originally didn't require a payment instruction (i.e. was single funded and no financing) but was modified in such a way that a payment instruction is now required
 - ✓ **Contract required to reference the new payment instruction matrix and invoices will be paid according to the prescribed allocation methodology for that invoice type**

- ▶ Contract issued pre 12/1/17 that originally cited a previous payment instruction (1-12). Contracting Officer requests to modify the contract to change the payment instruction to a different clause under the old logic
 - ✓ **These will be handled on a case by case basis. While the new instructions should be used, DFAS will work with the ACO/PCO to determine best way forward**

- ▶ BOA/IDIQ application
 - ✓ **Issued pre 12/1/17 - Cites previous payment instruction (1-12)**
 - SPIINs/ PIIDs follow PGI stated in BOA/ IDIQ
 - ✓ **Issued post 12/1/17 - With Approved "Other" MFR**
 - SPIINS/PIIDS follow PGI on BOA/IDIQ





- ▶ Proposed revision to PGI Matrix at OUSD C for review
 - ✓ DFARS 2017-D036
 - ✓ Adds Oldest Funds First for very limited circumstances
 - Same agency's funds
 - Only for service items
 - ✓ Adds instructions for Lot progress payments, advanced payments, and FMS Progress Payments
 - ✓ Eliminates "Other" completely

- ▶ Be vigilant of comment period



PGI Payment Instructions – Interim Solution



Existing Contracts – Utilize previous PGI codes and system logic

New Contracts (12/1/17 to Enforcement) – as cited or if NULL, crosswalk to new PGI matrix

New Contracts (Post Enforcement) – crosswalk to new PGI matrix and CDR for violations

- Meets Intent of New PGI Guidance
- Utilizes Existing Programming
- Prevents Significant Manual Intervention by Contract Input and Recon
- Promotes API
- Minimizes Adverse Impact to Preval (ERPs)
- Minimizes Increase to Customer Costs



- Concurrent PGI Logic
- Manual Front End Support by KT Input (Assign PGI)
- Manual Processing of PBPs and CFIs
- Training/Confusion in Application
- Potential For Delays and Improper Payments





Point Forward Approach

Existing Contracts – Utilize previous PGI codes.

New Contracts – program logic to systemically apply new PGI matrix.

- Automated Implementation of New PGI Guidance
- Additional requirements to build NG01 at interface
- Prevents Significant Manual Intervention by Contract Input and Recon
- Promotes API
- Minimizes Adverse Impact to Preval (ERPs)
- Minimizes Increase to Customer Costs



- Concurrent PGI logic
- Training/Confusion in Application (manual)
- Potential for Delays/Improper Payments (manual)

