

# UNIT 65: INVOICES

*October 2003*

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<b>Duty</b>	Determine whether to authorize payment against an invoice in full, in part, or not at all.
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<b>Conditions</b>	Given a contract and an invoice for payment.
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<b>Overall Standard</b>	Authorize payment of money of the amount to which the contractor is entitled under the terms and conditions of the contract (not more; not less). Payment must conform to agency policies and the Prompt Payment Act.
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## Policies

<i>FAR</i>	<i>Agency Suppl.</i>	<i>Subject</i>
4.9		Taxpayer identification number information.
8.709		Payments for acquisitions from nonprofit agencies employing people who are blind or severely disabled.
12.302(b)		No tailoring of the terms and conditions of FAR 52.212-4 with respect to assignment, payment, and invoices.
13.4		Fast payment procedure.
22.1022		Withholding of contract payments under the Service Contract Act.
23.506		Suspension of payments, termination of contract, and debarment and suspension actions.
27.205		Adjustment of royalties.
27.206		Refund of royalties.
29		Taxes.
32.102(d)		Partial payments for accepted supplies and services.
32.611		Routine setoff.
32.612		Withholding and setoff.
32.804		Extent of assignee's protection.
32.9		Prompt payment.
35.003(c)		Recoupment.
42.7		Indirect cost rates.
42.1403		Shipping documents covering f.o.b. origin shipments.
47.103		Transportation Documentation and Audit Regulation.
47.104-5		Citation of Government rate tenders.
47.4		Air transportation by U.S.-flag carriers.
49.112		Payment when terminating.
52.212-4(g)		Invoice.
52.212-4(i)		Payment.
52.212-4(k)		Taxes.
52.213-1		Fast payment procedure.
52.216-7		Allowable cost and payment.
52.216-8		Fixed fee.
52.216-10		Incentive fee.
52.216-11		Cost contract – no fee.
52.216-15		Predetermined indirect cost rates.
52.216-16		Incentive price revision – firm target.
52.216-17		Incentive price revision – successive targets.
52.216-26		Payments of allowable costs before the definitization.
52.222-4		Contract Work Hours and Safety Standards Act – overtime compensation.

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<i>FAR</i>	<i>Agency Suppl.</i>	<i>Subject</i>
52.222-41		Service Contract Act of 1965, as amended.
52.223-6		Drug-free workplace.
52.225-8		Duty-free entry.
52.227-9		Refund of royalties.
52.229-1		State and local taxes.
52.229-3		Federal, state and local taxes.
52.229-4		Federal, state and local taxes (noncompetitive contract).
52.229-5 [Reserved]		Taxes – contracts performed in U. S. possessions or Puerto Rico.
52.229-6		Taxes – foreign fixed-price contracts.
52.229-7		Taxes – fixed-price contracts with foreign governments.
52.229-8		Taxes – foreign cost-reimbursement contracts.
52.229-9		Taxes – cost-reimbursement contracts with foreign governments.
52.229-10		State of New Mexico gross receipts and compensating tax.
52.232-1		Payments.
52.232-2		Payments under fixed-price research and development contracts.
52.232-3		Payments under personal services contracts.
52.232-7		Payments under time-and-materials and labor-hour contracts.
52.232-8		Discounts for prompt payment.
52.232-9		Limitation on withholding of payment.
52.232-11		Extras
52.232-25		Prompt payment.
52.232-33		Payment by electronic funds transfer – central contractor registration.
52.232-34		Payment by electronic funds transfer – other than central contractor registration.
52.232-35		Designation of office for Government receipt of electronic funds transfer information.
52.232-36		Payment by third party.
52.232-37		Multiple payment arrangements.
52.232-38		Submission of electronic funds transfer information with offer.
52.242-10		F.o.b. origin – Government bills of lading or prepaid postage.
52.242-11		F.o.b. origin – Government bills of lading or indicia mail.
52.247-1		Commercial bills of lading notations.
52.247-63		Preference for U.S.-flag air carriers.

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## **Other KSAs**

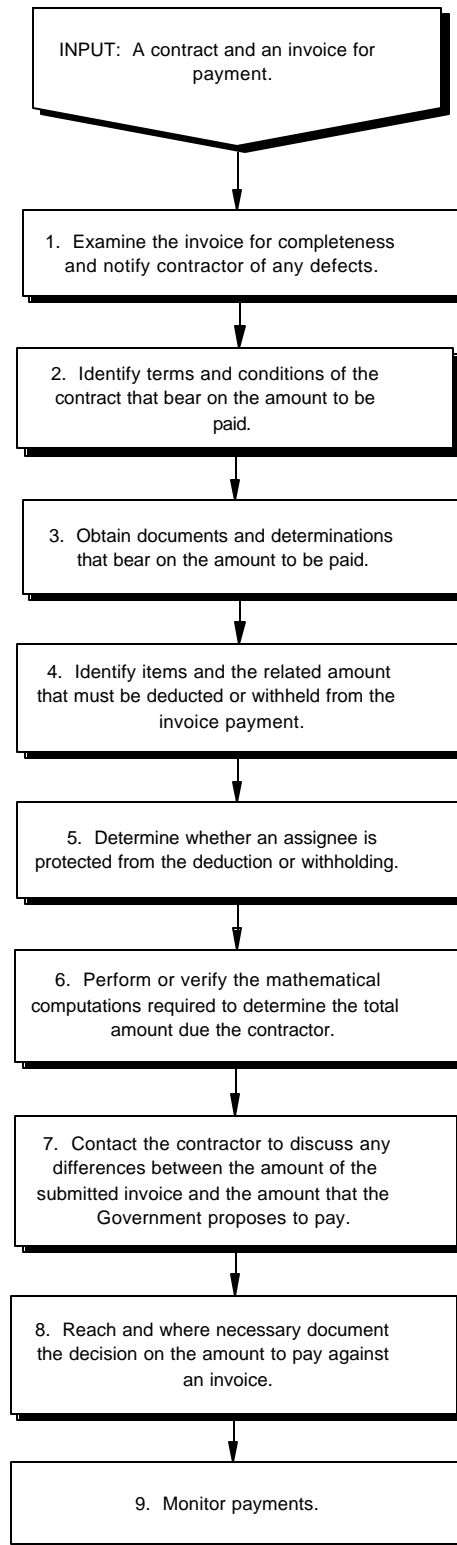
1. Ability to thoroughly review the invoice and related information to determine the proper payment amount.
2. Ability to select and apply the proper mathematical techniques to calculate the proper payment amount.
3. Ability to show understanding, courtesy, tact, and empathy in dealing with contractors on issues related to invoices and payment.
4. Ability to communicate orally and in writing about the amount due the contractor and the documentation required to assure proper payment.
5. Ability to identify problems that will prevent proper payment, use sound judgment to identify alternative solutions, and make appropriate recommendations.
6. Ability to work with customers and contractors to assure that timely and effective contract performance is not affected by a breakdown in the payment process.
7. Ability to maintain the honesty and integrity of the acquisition process.

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## **Other Policies and References (Annotate As Necessary):**

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Tasks	Related Standards
<p>1. Examine the invoice for completeness and notify contractor of any defects.</p>	<p>Check invoices to:</p> <ul style="list-style-type: none"> <li>• Ensure that the billing office has annotated the actual date of receipt;</li> <li>• Identify any missing elements required by FAR 32.905(e) or FAR 52.213-1(c) (as applicable); and</li> <li>• Notify the contractor of any defects in the invoice within 7 calendar days (3 days on contracts for meat, meat products, or fish; or 5 days on contracts for perishable agricultural commodities, dairy products, edible fats or oils) after receipt of the invoice at the designated billing office to avoid interest penalties under the Prompt Payment Act.</li> </ul>
<p>2. Identify terms and conditions of the contract that bear on the amount to be paid.</p>	<p>Correctly identify all applicable terms and conditions (e.g., price, type of contract, payment, period for constructive acceptance, discounts, liquidated damages, labor law requirements).</p>
<p>3. Obtain documents and determinations that bear on the amount to be paid.</p>	<p>Examples include:</p> <ul style="list-style-type: none"> <li>• Inspection or receiving report forms or commercial shipping documents and packing lists;</li> <li>• Documentation on the application of remedies, such as liquidated damages or rejection of work;</li> <li>• Determinations on billing rates, final indirect cost rates, and on the allowability of invoiced costs;</li> <li>• Reports on contractor indebtedness;</li> <li>• Adjustments to liquidation rates or reductions in commercial financing, advance, progress, or performance-based payments;</li> <li>• Interim or final adjustments to the contract price;</li> <li>• Contract modifications;</li> <li>• Contracting officer's final decision on a claim; and</li> <li>• Termination settlements.</li> </ul>
<p>4. Identify items and the related amount that must be deducted or withheld from the invoice payment.</p>	<p>Use Appendix A to identify items that must be deducted or withheld. Examine related documents to determine the correct amount to deduct or withhold.</p>

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## Tasks

## Related Standards

<p>5. Determine whether an assignee is protected from the deduction or withholding.</p>	<p>The determination should conform to the requirements of FAR 32.804. Except as provided in the paragraph below, the inclusion of a no-setoff commitment in an assigned contract entitles the assignee to receive contract payments free of reduction or setoff for:</p> <ul style="list-style-type: none"> <li>• Any liability of the contractor to the Government arising independently of the contract; and</li> <li>• Any of the following liabilities of the contractor to the Government arising from the assigned contract:             <ul style="list-style-type: none"> <li>– Renegotiation under any statute or contract clause;</li> <li>– Fines;</li> <li>– Penalties, exclusive of amounts that may be collected or withheld from the contractor under, or for failure to comply with, the terms of the contract;</li> <li>– Taxes or social security contributions; or</li> <li>– Withholding or nonwithholding of taxes or social security contributions.</li> </ul> </li> </ul> <p>In some circumstances, a setoff may be appropriate even though the assigned contract includes a no-setoff commitment, for example:</p> <ul style="list-style-type: none"> <li>• When the assignee has neither made a loan under the assignment nor made a commitment to do so; or</li> <li>• To the extent that the amount due on the contract exceeds the amount of any loans made or expected to be made under a firm commitment for financing.</li> </ul>
<p>6. Perform or verify the mathematical computations required to determine the total amount due the contractor.</p>	<p>Calculate the amount owed the contractor under the invoice.</p>

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## Tasks

## Related Standards

<p>7. Contact the contractor to discuss any differences between the amount of the submitted invoice and the amount that the Government proposes to pay.</p>	<p>During the discussion:</p> <ul style="list-style-type: none"> <li>• Accurately present all factual data that justifies the difference between the invoiced amount and the amount that the Government proposed to pay.</li> <li>• Provide contractor representatives an opportunity to present their position.</li> <li>• Ensure that the contractor's management is aware of any continuing invoicing problems.</li> </ul>
<p>8. Reach and where necessary document the decision on the amount to pay against an invoice.</p>	<p>Alternatives generally include:</p> <ul style="list-style-type: none"> <li>• Pay in full;</li> <li>• Pay in part, after written notice to the contractor specifying the deductions and/or withholdings; or</li> <li>• Reject the invoice and return it to the contractor for correction and resubmission, specifying the reason.</li> </ul> <p>Notify the contractor of defects in the invoice (in terms of disagreements with the amount invoiced) within 7 calendar days (3 days on contracts for meat, meat products, or fish; or 5 days on contracts for perishable agricultural commodities, dairy products, edible fats or oils) after receipt of the invoice at the designated billing office (to avoid interest penalties under the Prompt Payment Act).</p> <p>Notify the contractor of deductions or withholdings from the amount invoiced within 30 days after the designated billing office has received a proper invoice from the contractor, or within 30 days after Government acceptance, whichever is later (assuming no disagreement over quantity, quality, or contractor compliance with contract requirements.).</p>



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Tasks	Related Standards
9. Monitor payments.	<p>Submit the correct invoice to Finance Office in a timely manner (within the meaning of the Prompt Payment Act) and within the time standards agreed upon between the Contracting Officer and the Certifying Finance Officer.</p> <p>In general, payment should be made within 30 days after the designated billing office has received a proper invoice from the contractor, or within 30 days after Government acceptance, whichever is later (assuming no disagreement over quantity, quality, or contractor compliance with contract requirements.). For contractor financing payments, payment should be made within 30 days after the designated billing office has received a proper request.<sup>1</sup></p> <p>However, interest penalties are not required on payment delays due to disagreement between the Government and contractor over the payment amount, or other issues involving contract compliance, or on amounts temporarily withheld or retained in accordance with the terms of the contract. (FAR 32.907-1(f)).</p> <p>Make payments for supplies or services on the Procurement List maintained by the Committee for Purchase from People Who Are Blind or Severely Disabled within 30 days after shipment or after receipt of a proper invoice or voucher.</p> <p>Ensure that payments are reported to the IRS.</p>

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<sup>1</sup> Note that an agency can amend the clause at FAR 52.232-25 to specify a period shorter than 30 days, but not less than 7 days, for making contractor invoice payments (FAR 32.908(c)(2)).

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## Appendix A

### Table Of Deductions From Invoiced Amounts

October 2003

WHEN:	DEDUCT:	IAW FAR:	
Administering fixed-price contracts	Invoiced items that have not been delivered and accepted.	52.232-1 and 52.232-2	
	Invoiced prices that exceed the contract price for the supplies or services.		
	Invoiced partial payments when the amount due on the deliverables is less than \$1,000 or 50% of contract price.		
		Invoiced amounts for "extras."	52.232-11
		Discounts for early payment.	52.232-25
		State and local taxes, by furnishing the contractor with an evidence of any exemption from such taxes.	52.229-1
		After-relieved Federal or foreign taxes. <sup>2</sup>	52.229-3 through 52.229-7
	The amount of any Federal excise tax or duty (except social security or other employment taxes) that the contractor is required to pay or bear, or does not obtain a refund of, through the contractor's fault, negligence or failure to follow the Contracting Officer's instructions.		
Billed for transportation costs	Improperly supported reimbursement for transportation charges.	52.247-1	
Modifying the contract	Unilateral or bilateral downward adjustments to the contract price (including adjustments that result from the resolution of performance problems).	Part 43, 52.243-1 to 52.243-7, and 52.248-1	
Implementing special contract remedies	Liquidated damages, such as those under the: <ul style="list-style-type: none"> <li>• Liquidated Damages – Supplies, Services, or Research and Development clause (FAR 52.211-11);</li> <li>• Liquidated Damages – Small Business Subcontracting Plan clause (FAR 52.219-16); or</li> <li>• Contract Work Hours and Safety Standards Act – Overtime Compensation (FAR 52.222-4(b)).</li> </ul>	52.211-11, 52.219-16, and 52.222-4	
	Unpaid wages, such as those under the: <ul style="list-style-type: none"> <li>• Contract Work Hours and Safety Standards Act— Overtime Compensation clause (FAR 52.222-4).</li> <li>• Service Contract of 1965, As Amended (FAR 52.222-41).</li> </ul>	52.222-4 and 52.222-41	

<sup>2</sup> "After-relieved" means a tax that the contractor is no longer required to pay or bear or for which the contractor obtains a refund or drawback, as the result of legislative, judicial, or administrative action taking effect after the contract date. Also note that the contract price might be adjusted upwards based on "after-imposed" taxes. Consult the agency-designated counsel to determine the applicability of a tax.

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WHEN:	DEDUCT:	IAW FAR:	
Collecting contractor debts	Setoffs for the collection of contractor debts.	32.611 and 32.612	
Progress payments are being made	From invoiced prices, amounts necessary to liquidate prior progress payments (as calculated under the terms of the Progress Payments clause.	52.232-16	
	Unallowable costs invoiced on the SF 1443, Contractor's Request for Progress Payment.		
	For customary progress payments, 20% of the cumulative total allowable costs (15% for small businesses) reported on the SF 1443, Contractor's Request for Progress Payment, less the sum of all previous progress payments.		
	Costs invoiced on the SF 1443, Contractor's Request for Progress Payments, when a decision has been made to suspend or reduce progress payments.		
Administering a cost reimbursement contract	Retainages, such as: <ul style="list-style-type: none"> <li>• 15% of fee up to \$100,000 that may be withheld under FAR 52.216-8 for cost-plus-fixed-fee contracts or FAR 52.216-10 for cost-plus-incentive-fee contracts.</li> <li>• 1% of total estimated cost up to \$100,000 under FAR 52.216-11 for cost contracts with no fee.</li> </ul>	52.216-7, 52.216-8 52.216-10, and 52.216-11	
	Payment on the basis of a lower fee under cost-plus-incentive-fee contracts, when the contractor is not likely to achieve the target.		
	Unallowable costs.		
	Overbilled indirect costs, given billing rates or final indirect cost rates for the period.		
	Costs in excess of the limitation of costs or limitation of funds in cost-reimbursement contracts.		
	Any tax or duty of a foreign Government from which the U.S. Government is exempt by agreement with the foreign government.		52.229-8 or 52.229-9
	The amount by which invoiced prices exceed current billing prices (e.g., when billing prices are reduced).		52.216-16 and 52.216-17
	The amount by which billing prices exceed the final prices for deliverables.		

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WHEN:	DEDUCT:	IAW FAR:
Administering a time-and-materials or labor-hour contract	Any amount in excess of the ceiling price.	52.232-7
	A retainage of 5% of the amount due up to \$50,000 until execution and delivery of the contractor's release.	
	Overpayments or improper amounts for materials or subcontracts.	
Administering a letter contract	Invoiced amounts in excess of the limitation of reimbursement or reimbursement rates.	52.216-26
Royalties are being paid <sup>3</sup>	Royalties in excess of the amount that is owed by the Government.	52.227-9
Terminating a contract	Invoiced amounts that are greater than the amount authorized for partial payment or final payment of the termination settlement.	49.112, 49.402-6, and 49.402-7(b).
	Reprocurement costs and costs for any other damages suffered by the Government.	

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<sup>3</sup> Do not pay the invoiced amount for a royalty when:

- The Government has a royalty-free license which covers that royalty.
- Billed at a rate in excess of the rate for which the Government is licensed.
- The royalties in whole or in part otherwise constitute an improper charge.