

**SUMMARY OF MAJOR CHANGES TO
DoD 7000.14-R, VOLUME 10, CHAPTER 10
“PAYMENT VOUCHERS – SPECIAL APPLICATIONS”**

Changes are denoted in blue font

Substantive revisions are denoted by a * preceding the section, paragraph, table, or figure that includes the revision

Hyperlinks are denoted by *underlined, bold italic font*

This updated chapter supersedes the previously published version dated November 2009.

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
100402.D.4	Clarifies Accounting Classification Reference Number (ACRN) allocation rules where systemic liquidation rates are applied for internal controls, enabling full utilization of funding per contract payment instructions.	Update
1006	Clarifies that Royalty and Cooperative Research and Development Agreement (CRDA) Income is available to Federally-owned laboratories, and under limited circumstances Government Owned, Contractor Operated laboratories, for use as authorized by Title 15 United States Code section 3710a, 3710b, 3710c, and 3714.	Clarify

TABLE OF CONTENTS

PAYMENT VOUCHERS – SPECIAL APPLICATIONS

- 1001 Overview
- 1002 Intragovernmental Payments
- 1003 Partial Payments and Cost Reimbursement Contracts
- *1004 Contract Financing Payments
- 1005 Fast Payment
- *1006 Royalty and Cooperative Research & Development Agreement (CRDA) Income

CHAPTER 10

PAYMENT VOUCHERS – SPECIAL APPLICATIONS1001 OVERVIEW

100101. Purpose. This chapter prescribes the policy for processing payment vouchers with special requirements. The chapter also provides guidelines for processing cost reimbursement type contracts, intragovernmental, partial, progress, advance, and fast payments.

100102. General. The government uses payment vouchers to process bills and payments for services and supplies. Payment voucher processing described in this chapter relates to vouchers treated outside normal processing policy. Disbursing processing requirements are described in [Volume 5, Chapter 11](#) of this Regulation. Standard processing forms include the [Standard Form \(SF\) 1080 “Voucher for Transfers Between Appropriations and/or Funds”](#), [SF 1081 “Voucher and Schedule of Withdrawals and Credits.”](#) [SF 1034 “Public Voucher for Purchases and Services Other Than Personal”](#) or the [General Services Administration’s \(GSA\) Form 789 “Statement, Voucher, and Schedule of Withdrawals and Credits”](#).

1002 INTRAGOVERNMENTAL PAYMENTS100201. Completion of Intragovernmental Reimbursement and Transfer Vouchers

A. General. The SF 1080 and the SF 1081 are the authorized vouchers used to process intragovernmental payments. Intragovernmental Payment and Collection (IPAC) system is the primary non-interfund method federal entities use to electronically bill and/or pay for services and supplies within the government. The IPAC system communicates to the Department of the Treasury and the trading partner agency that the online billing and/or payment for services and supplies occurred. Refer to [Treasury Financial Manual \(TFM\), Volume 1, Part 6, Chapter 4000](#) for further details on how to process transactions using IPAC. Intragovernmental payments are not payments within the meaning of [Certifying Officer Legislation, 31 United States Code \(U.S.C.\) 3325](#) and [3528](#).

B. Authorized Vouchers. All payments shall be supported by one of the formal payment vouchers.

1. SF 1080. Components will use the SF 1080 to bill other government agencies. If the same entity accounts for and reports on the funds charged and credited, then the “billing” and “billed” offices are the same. In such cases, if the transfer is within the same appropriation, then use a journal voucher; if different appropriations are involved, then use the “no check drawn” basis SF 1080.

2. SF 1081. The SF 1081 is used for correcting prior expenditure or collection transactions and for processing expenditure transactions not requiring payment by check.

3. GSA 789. The GSA 789 “Statement, Voucher, and Schedule of Withdrawals and Credits” is an authorized payment voucher for purchases from GSA.

4. Use of SF 1080 or SF 1081. When the following conditions apply, use either the SF 1080 or SF 1081:

a. Surplus articles for which payment is to be made are listed on the voucher or supporting documents at their appraised values.

b. Work and shop orders indicate the unit prices of articles or services furnished or the actual value of personal services, materials, or other direct charges and overhead. When vouchers cover expenses related to the use of equipment, the following certification is placed upon the statement of account: “I hereby certify that the amount billed herein represents cost as determined under 31 U.S.C. 1535 and 1536.” In cases where the account is billed based on unit costs, e.g., per hour, day, mile, rather than by itemization of supplies and services, such unit costs shall include all expenses of operation and maintenance except depreciation.

c. An employee who performs services for another Federal department or agency may be reimbursed provided that an agreement for reimbursement was made before the rendering of such services. Copies of such agreements are attached to the transfer voucher in support of the payment.

d. Articles issued from stock on hand or stock due in are listed on the vouchers or supporting documents. The unit prices of such items are at standard, average cost, or computed on such basis as to ensure proper reimbursement to the agency.

C. Audit of Billings. The entitlement office examines intragovernmental payment vouchers to verify amounts, ensure required information is shown, and validate required certificates are signed. The reviewer verifies accessorial charge rates when levied by non-Department of Defense (DoD) government activities for issues, sales, and transfers of material, supplies, and equipment. Also included is verification that charges do not take into account recurring reimbursement issues (sales) and nonreimbursable transfers of material to other DoD Components, except for sales and transfers pursuant to the military assistance grant aid program and Foreign Military Sales (FMS) programs. After audit and verification for propriety, the entitlement office cites the major accounting classification and “certifies” the voucher for payment.

D. Payments. SFs 1080 are processed on a “no check” basis. “No check” issue vouchers are assigned a disbursement voucher and collection voucher number.

100202. Constructive Delivery or Drop from Inventory

A. General. Components can place orders with another major organization within DoD or another agency for goods or services according to the Economy Act, 31 U.S.C. 1535. Payments from the ordering agency are made promptly upon the written request of the agency or unit filling the order. Payment is made in advance or on providing the goods or services ordered for any part of the estimated or actual cost, as determined by the agency or unit filling the

order. A bill submitted, or a request for payment, is not subject to audit or certification in advance of payment. Proper adjustments of amounts paid in advance are made in accordance with prior agreement by appropriate Component personnel or by units on the basis of the actual cost of goods or services provided. DoD is billed based on constructive delivery or drop from inventory as detailed in the following subsections:

1. Constructive Delivery. Constructive delivery is the delivery of material to a commercial carrier, freight forwarder, United States or international post office, or customer at point of production, storage, or test ([DoD 4000.25-7-M, "Military Standard Billing System" \(MILSBILLS\)](#)). Delivery is evidenced by completed copies of shipping documents, material shipment status of shipping documents, drop from inventory, or a list of deliveries in a post office. Constructive delivery includes billings for goods accepted by an authorized inspector of another DoD Component providing direct shipment to the consignee. Such billings must be supported with [Defense Department \(DD\) Form 250 "Material Inspection and Receiving Report"](#) or other authorized document received from the inspector showing shipment. Under constructive delivery, bills are issued when the carrier accepts the goods for transport. Payment under constructive delivery differs from the actual delivery or drop from inventory concept. Constructive delivery bills are accepted and paid without waiting for delivery of the goods.

2. Drop from Inventory. Drop from inventory is the reduction of the quantitative inventory balance. Billing for shipments from stock shall be billed at the standard price in effect at the time the stock is dropped from inventory.

B. Non-interfund Billings from Department of Defense

1. General. Following a supply activity requisition, reimbursable sales of material are billed seven days after the material has been transferred using drop from inventory. Billing shall occur on the basis of drop from inventory or performance of services. Sales of bulk petroleum, oil, lubricants, perishable subsistence, Foreign Military Sales (FMS), and military assistance grant aid shipments have exceptions to the above billing policy. Refer to [DoD 4000.25-M, Volume 5, Chapter 2, Defense Logistics Management System \(DLMS\)](#) for billing guidelines on these exceptions.

2. Responsibility of Supplying Activity. The supplying activity initiates a request for payment for items supplied to DoD. The supplying activity notifies the requisitioning activity of item substitutions and price or quantity changes. Refer to [Treasury Financial Manual \(TFM\), Volume 1, Part 2, Chapter 2500](#) for further details on the responsibility of the supplying activity.

3. Responsibility of Requisitioning Activity. The requisitioning activity administratively controls funds for commitments and obligations incurred.

a. Based on information received from the supplying activity regarding changes or substitutions, the requisitioning activity informs the supplying activity of any ordered items to be canceled or adjusted using the most efficient and timely method available. If word is not received from the supplying office soon enough to cancel or adjust the order and the

supplies received are unacceptable for any reason, then the requisitioning activity may reject the item. Variations in shipment are normally accepted except when price or quantity changes would cause an over obligation of funds.

b. The receiving activity records the amounts and quantities of items approved for payment. When providing reimbursement, the receiving activity annotates the billing and supporting documents to delete unacceptable items or reduce quantities for items unfilled by the supplying activity. The receiving activity adjusts the billing and provides reimbursement for the adjusted amount. The requisitioning and supplying activities determine subsequent disposition of the unfilled items through mutual agreement.

4. Billing Adjustments for Short, Damaged, or Defective Shipments within Department of Defense. The requisitioning activity initiates action to obtain billing adjustments. There is no minimum financial dollar value for requesting or processing billing adjustments or refunds. Unless otherwise indicated in DoD 4000.25-7-M, requests for adjustments, follow ups, and replies shall be submitted by electronic means. When material received was not requisitioned, or if requisitioned material was not received, then discrepancy report procedures rather than adjustment procedures apply. Contact the local supply or requisitioning office for the appropriate discrepancy procedures. When the DoD Component shipping the items is responsible for the discrepancy, the SF 364 "Report of Discrepancy (ROD)" is prepared by the receiving activity and processed. The Transportation Management Office (TMO) or Transportation Office (TO), as applicable, initiates the SF 361 "Transportation Discrepancy Report, (TDR)", when the shortage or damage is attributed to the commercial carriers.

5. Other Billing Adjustments or Allowances. The ordering activity is responsible for initiating requests to the billing activity to grant adjustments or allowances that do not arise from shortages, damages, or defects in shipments. These adjustment and allowance requests are often for overages, unacceptable substitutes, or erroneous material received. Approved requests are applied as an adjustment or allowance to the customer account included in the billing document.

6. Billing and Credit for Material Diversions Using Military Standard Requisitioning and Issue Procedures/Military Standard Transaction Reporting and Accounting Procedures (MILSTRIP/MILSTRAP). If the requisitioning activity cancels requisitions and a Material Diversion Confirmation is issued, then the requisitioning activity is credited the amount billed, including accessorial charges. The alternate consignee for material diverted is billed for the standard price and accessorial charges. If the Defense Logistics Agency (DLA) places an order for direct shipment of nonstocked items and the requisitioning activity cancels the order, then the requisitioning activity is billed via the SF 1080 for contract termination costs arising from cancellation of the requisition. DLA notifies the "bill to" activity cited in the canceled requisition of impending termination costs.

7. Missile Propellants. The SF 1080 is the billing document used for missile propellants delivered on a drop from inventory basis. These bills are paid upon receipt using the same SF 1080 to ensure the bill number cited remains the same.

100203. Payments to Defense Working Capital Funds (DWCF). Payment for services rendered by Defense Working Capital Fund activities is based on the prescribed rates, tariffs, and billing procedures designated. DWCF payments are made with the same policy as constructive delivery and drop from inventory payments described in paragraph 100202.A.

100204. General Services Administration (GSA)

A. General. The majority of GSA billing is accomplished under Simplified Interagency Billing and Collection (SIBAC). When SIBAC is not used, an appropriate billing document is used for purchases from GSA.

B. Requisitions. The supply officer prepares MILSTRIP requisitions for sales from stock or automated direct delivery sales.

1. The ordering activity records the obligation for the material and monitors supply support services. The obligation record is supported with a copy of the price extended requisition or listing of items ordered.

2. GSA advises the ordering activity of changes in prices, quantities, or substitutions immediately after requisition edit by sending advice of changes to the requisitioner. Based on the changes in the order made by GSA, the ordering activity informs GSA of any additional changes desired.

3. The ordering activity is responsible for administrative control of funds. When changes are made in the prices or quantities, or when substitutions of items occur, the ordering activity:

a. Adjusts the previously recorded obligation; or, when funds of the ordering activity will be over-obligated, advises the GSA depot by the most expeditious and economical means available of the requisitioned items to be canceled or adjusted.

b. Accepts substituted items and changes in prices and quantities as detailed in paragraph 100204.B.2. If material that was not ordered or accepted would cause over-obligation of funds, then the substitutions and changes are not accepted. Disposition of material not accepted is arranged by mutual agreement between the ordering activity and the GSA depot. Billing adjustments are made as stated in paragraph 100204.D.

4. GSA stores forward priced copies of [DD Form 1348-1a \(Issue Release/Receipt Document\)](#) or [DD Form 1348-2 \(Issue Release/Receipt Document With Address Label\)](#) for stocked items with the shipment to the consignee. For stocked items ordered that are shipped directly from the supplier, GSA forwards a copy of the supplier's order form. For nonstock items, GSA forwards a copy of the purchase order or a contractor's packing ticket to the entitlement office, the consignee office and the ordering office. These documents show the number of packages, type of packages, description of contents, package numbers, the gross weight, and cube.

C. Non-interfund Billings (GSA)

1. GSA provides selected supplies, equipment, services, space, communications, motor vehicle rental, and other miscellaneous items on a reimbursable basis. These supplies and services are financed from revolving, management, or working capital funds and reimbursement from the components are obtained through periodic billings and collections. Periodic billings and collections allow GSA to operate these programs with a minimum amount of appropriated capital.

2. The ordering activities receive bills from GSA biweekly, monthly, or quarterly after the fact, or in advance on their billing forms. GSA Form 789 is used for billing. GSA is not required to certify such bills. Except for those bills which are rendered in advance (such as rental payments), bills are sent to the components only after there is evidence of actual delivery of material or services or after receipt of evidence of shipment (constructive delivery). GSA furnishes documents or billing cards containing the data necessary to permit identification of the requisition, purchase order, travel order, or other obligating documents. GSA may process requisitions of \$1 or less without billing. If such items are not billed 60 days after receipt of the material, then cancel the obligation.

D. Adjustments. GSA adjusts bills when appropriate for transportation type discrepancies attributable to the common carrier, when the discrepancy in shipment is caused by the shipper (GSA), or results from a lost or damaged parcel post shipment. There is no minimum dollar value for requesting or processing billing adjustments or refunds, see [DoD 4000.25-7-M, Chapter 4](#).

1. For lost, damaged, or defective shipments, when the discrepancy is apparently attributable to the common carrier, the receiving activity prepares an SF 361. The GSA processes these claims within Continental United States (CONUS), since they are designated on the government bill of lading (GBL) to make payment of transportation charges to the common carrier.

2. When the discrepancy in shipment is either caused by the shipper (GSA) or results from a lost or damaged parcel post shipment, the receiving activity prepares the SF 364. The receiving activity sends the SF 364 to the GSA National Customer Service Center.

3. Errors in GSA non-interfund billings, other than shipping errors, are corrected by GSA based on a letter from the billed office. The billed office sends a letter to the GSA National Customer Service Center, including a full explanation of the error, and attaches a copy of the billing document that includes the error.

4. GSA processes the SF 364 (ROD) and SF 361 (TDR), replies to the receiving activity, and when applicable, sends an adjusted bill to the billed office. GSA also will process letters advising the billed office of erroneous billings, reply to the billed office, and when applicable, send an adjusted bill to the billed office.

a. If GSA fails to reply to a TDR or ROD, then the receiving activity is responsible for following up with the GSA National Customer Service Center. The receiving activity follows up on requests for adjustments remaining unanswered for more than 14 calendar days after submission. When the initial follow up remains unanswered for more than 14 calendar days, the receiving activity forwards a second and final follow up letter or message to the billing office. When the reply to a TDR or ROD indicates a billing adjustment will not be made, the receiving activity absorbs the resulting gain or loss. When the reply indicates a billing adjustment will be made, the receiving activity provides a copy of the reply to the billed office.

b. If the billing adjustment is not received within 30 calendar days of the date of the reply to the TDR or ROD, then the billed office follows up with the GSA National Customer Service Center for non-interfund bills, by letter, with a copy of the reply to the TDR or ROD attached. If no reply is received to the follow up letter within 14 calendar days, then a second follow up letter is sent from the billed office to the GSA National Customer Service Center.

c. When a second follow up remains unanswered for more than 14 calendar days, the activity with the issue should request assistance from the Finance Process Review Committee via electronic mail at HOJ627@dla.mil or postal service address:

Defense Logistics Agency J-627
ATTN: DLA Logistics Management Standards
8725 John J. Kingman Road Stop 6205
Ft Belvoir, VA 22060-6217

E. Transportation. GSA pays transportation costs on stock items to all CONUS activities and to United States ports of embarkation for overseas shipments. These costs are included in the GSA standard stock item prices. The consignee pays for transportation charges for nonstock items or, if GSA pays, then these charges are billed to the consignee.

F. Non-interfund Payments

1. Payment is made for material through IPAC within 15 days after receipt of the GSA invoice. Pay the bills as rendered without preaudit or receipt verification, subject only to availability of funds and adjustments for obvious significant errors in dollar amount. If items are deleted from the billing, then fully explain on the GSA billing forms. A follow up system shall be in place to make sure that material paid for is received.

2. GSA billings for material shipped overseas contain a special surcharge for packing, packaging, and preservation of material. These costs are not included in the standard unit prices of the items, but are separately billed. GSA billings for these charges cite the appropriation fund code shown in the MILSTRIP requisition. A copy of the GSA billing form shall be sent with a check to the GSA Regional Director of Financial Management.

3. Surcharge rates are computed by applying an authorized percentage of the value of the material ordered and delivered, with both Level A and Level B pack, through

the GSA regions to DoD customers overseas. These rates are subject to change each fiscal year based on annual review of actual costs by GSA.

4. Accounting Services is responsible for GSA Motor Pool transactions incurred by the local Transportation Officer (TO). Travel section processes payments to GSA or contractors for vehicle rentals authorized by travel orders. Use the data on the documented detail billing cards to identify the requisition, purchase order, travel order, or other obligating document. The billing information shall be compared to the obligation document; if an error is found, then follow instructions in paragraph 100204.D. Payment shall be made within 30 days of the billing date. GSA supports each transaction listed with detail billing cards for use with either mechanized systems or for manual processing.

5. GSA bills for Federal Telecommunication Services (FTS) are authorized by [31 U.S.C. 1535](#). These bills are submitted quarterly and paid in advance, without preaudit or receipt verification and subject only to the availability of funds. These bills shall be paid within 15 days after receipt of the GSA invoice.

G. Billing and Credit for Material Diversions Using MILSTRIP/MILSTRAP. Credit activities that cancel requisitions for a material diversion shall provide confirmation of the amount billed, including accessorial charges. The alternate co-signee for material diverted is billed for the standard price and accessorial charges. Activities canceling requisitions for material for which GSA placed an order for direct shipment of non-stocked items are billed by SF 1080 for contract termination costs arising from cancellation of the requisition. GSA will promptly provide the bill to the activity cited in the canceled requisition of impending termination costs.

100205. Payments to the Government Printing Office (GPO), Library of Congress, and Government Corporations

A. General. When services or supplies are furnished, an invoice is submitted to the requisitioning component. In such cases, the office billed prepares and processes the SF 1080 for payment. The billed office must attach the invoice to the SF 1080. Instead of transcribing the details of the transactions, list each invoice under the caption "per attached invoice" according to date, number, and other identifying data as appropriate. Extend the net amount of each invoice in the amount column. The entitlement office may accept an invoice when miscellaneous items, e.g., publications, subscriptions, films, are acquired from GPO or the Library of Congress. The invoice may be used to support payment instead of a receiving report certification, subject to later adjustment when required. [The Defense Logistics Agency Document Services \(DLA-DS\)](#) is the single DoD focal point for GPO ordering and payment.

B. Payments to Government Printing Office. GPO reimburses the contractor for commercial printing services acquired through that agency. This eliminates the requirement for the entitlement office to have a receiving report or other evidence of receipt or performance before payment of the GPO billing.

100206. Imprest Funds. An imprest fund is a fixed cash or petty cash fund in the form of currency or coin that has been advanced as Funds Held Outside of Treasury. Federal

Agencies have eliminated imprest funds, except for specific waivers described in [TFM, Volume V, Part 1, Chapter 3000](#). Third party drafts are acceptable alternative payment mechanisms for imprest fund transactions where payment by electronic fund transfer has been waived. [Volume 5, Chapter 2](#) provides guidance on imprest funds.

100207. [Transfers for Budget Clearing Accounts](#). The SF 1081 (Voucher and Schedule of Withdrawals and Credits) is used to transfer funds from budget clearing accounts to appropriate Treasury account symbols.

1003 [PARTIAL PAYMENTS AND COST REIMBURSEMENT CONTRACTS](#)

100301. [Partial Payments](#). Partial payments are payments given to the contractor after some work has been done; whereas, a commercial advance payment is given to the contractor in anticipation of work yet to be accomplished.

A. When partial payments are made on purchase orders, contracts, or delivery orders, a partial payment record is maintained when more than one payment is required to liquidate the obligation. A separate partial payment record is maintained for each purchase order, contract, or other obligation document requiring partial payments.

B. Partial payments containing discount provisions shall be taken, when proper, based upon the items accepted from the receiving report. See [Chapter 2](#) of this volume for discount provisions.

C. Payments covering blanket purchase agreements, call type contracts, and blanket delivery orders are not considered partial payments, except when more than one payment is required on an individual call.

100302. [Cost Reimbursement Type Contracts](#). Cost reimbursement type contracts provide for payment of allowable incurred costs, to the extent prescribed in the contract. These contracts establish an estimate of total cost for the purpose of obligating funds and establishing a ceiling that the contractor may not exceed (except at its own risk) without the approval of the contracting officer.

A. The Defense Contract Audit Agency (DCAA) has sole authority for verifying claimed costs and approving interim payment costs under cost-reimbursement, time and materials, and labor-hour contracts. Contracting Officer's Representatives (COR's) shall not be delegated authority to approve these types of payments. The COR's may review contractor billings, but are expected to coordinate with DCAA when any cost verification of data is necessary in support of their surveillance responsibilities. Therefore, DCAA approves interim payment requests, the Administrative Contracting Officer (ACO) approves the final payment request, and the COR's coordinate with DCAA if any cost verification is needed.

B. Contractors will submit payment requests and receiving reports in electronic form in accordance with [Defense Federal Acquisition Regulation Supplement \(DFARS\) 232.7002](#) with noted exceptions. When payment requests and receiving reports are not submitted

in electronic form, the contracting officer will consult with the payment office and the ACO regarding the preferred method for submitting payment requests. The entitlement office ensures proper approval of all invoices prior to payment.

C. Special payment techniques are required in some cases when the contract includes requirements under the FMS program for more than one country or for one or more countries and the United States. FMS expenditure authority is required for payments or adjustments in the FMS program. Further information is contained at [Volume 15](#) of this Regulation.

100303. Partial Delivery. Unless prohibited by the contract, payment is made on partial deliveries accepted by the government, unless the payment amount is less than \$10. If the payee specifically requests a payment of \$10 or less for goods delivered or services rendered, a certified voucher will be paid by the disbursing office regardless of the amount.

1004 CONTRACT FINANCING PAYMENTS

100401. General. A contract financing payment is defined as an authorized government disbursement of monies to a contractor prior to acceptance of supplies or services by the government. Contract financing payments relieve the contractor from responsibility for the total financing of contracts which extend over a long period of time or are for large amounts of money.

A. Contract financing payments include:

1. Advance payments.
2. Performance-based payments.
3. Commercial advance and interim payments.
4. Progress payments based on cost ([Federal Acquisition Regulation \(FAR\) 52.232-16](#)).
5. Progress payments based on a percentage or stage of completion *except those made* under [FAR 52.232-5](#) (Fixed-Price Construction Contracts) or [FAR 52.232-10](#) (Fixed-Price Architect-Engineer Contracts).
6. Interim payments under a cost reimbursement contract, *except for a cost reimbursement contract for services when Alternative I of the clause at 52.232-25 is used.*

B. Contracting financing payments do not include:

1. Invoice payments.
2. Payments for partial deliveries.

3. Lease and rental payments.

100402. Progress Payments. Progress payments are made to the contractor when requested as work advances.

A. Progress Payments Based on Costs. These payments are made to the contractor when requested, but not more frequently than monthly and only in amounts approved by the contracting officer in accordance with FAR 52.232-16. Progress payment requests are processed in sequential order.

1. Authorized progress payments are paid against estimated amounts recorded, based on a contract change notification, provisioning order obligation document, or other similar contractual documents. Each contractor request for progress payments shall be prepared and submitted on a separate SF 1443 “Contractor’s Request for Progress Payment.” FAR 52.232-16 discusses the computation, liquidation, reduction, suspension and limitations of progress payments.

2. Progress payments may have different liquidation rates. For example, a contract may have different liquidation rates for a payment pertaining to United States effort versus Foreign Military Sales (FMS). In this example, the liquidation rate could be 80 percent for the United States rates versus 90 percent for FMS, and two SF 1443’s are prepared. In addition, if more than one FMS country is involved, then the contractor is required to attach a supporting schedule for the SF 1443 identifying the countries and apportionment of payment. Unless directed otherwise in the contract or by the contracting officer, the contractor provides the SF 1443, with supporting information, to the entitlement office designated in the contract instead of an invoice when requesting a progress payment.

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

- a. Payments based on the percentage or stage of completion accomplished when the contract contains either FAR Clause 52.232-5 or 52.232-10,
- b. Payments for partial deliveries accepted by the government,
- c. Partial payments for a contract termination proposal, or
- d. Performance-based payments (FAR 32.10).

B. Progress Payments for Fixed-Price Construction Contracts. The government shall make progress payments on fixed-price construction contracts based on estimates of work accomplished which meet the standards of quality established under the contract. These progress payments, whether disbursed monthly or at more frequent intervals as determined by the contracting officer (FAR 52.232-5 and FAR 52.232-27), shall be accounted for as partial payments per paragraph 100301 of this chapter.

C. Progress Payments Based On Percentage of Completion. [FAR 32.102\(e\)\(1\)](#) references the statutory authority to use progress payments based on a percentage or stage of completion.

* D. Progress Payment Allocations to ACRNs

1. When allocating progress payments across Accounting Classification Reference Numbers (ACRN), controls will be established to ensure the individual ACRNs are not overliquidated (obligation amount assigned at the ACRN level is not exceeded). [DFARS Procedures, Guidance, and Instruction \(PGI\) 204.7108](#) outlines the methodology for the payment office to assign payments to the ACRN citation(s).

2. If the progress payment is for FMS requirements, then the portion of the amount approved for payment is charged to each customer country. For the FMS customer to receive a correct billing statement, the long line fund citation must include the country code, implementing agency, country code designator, and the case line number. If each country code contains only one ACRN, then payment is made to the ACRN reporting the country code, implementing agency, and case line item.

3. If there is more than one ACRN for each country code, then the amount charged to each country code is prorated to the ACRNs identified to that country code. Proration is based on the ratio of the ACRN obligation to the total obligation for a particular country code.

4. Progress payments, performance based payments, and commercial item financing will ordinarily be liquidated (charged to an appropriation account) so that the Work-in-Progress (WIP) balance for each ACRN does not exceed the Unliquidated Obligation (ULO) for that ACRN multiplied by the liquidation rate (see paragraph 100404.B.3 of this chapter for progress payment recoupments involving both U.S. and FMS funds). This systematic internal control allows the payment office to ensure that contracts are not overliquidated at the ACRN level prior to final delivery, even though the payment instructions may state that the payment office is to liquidate payments using the oldest available ACRN before disbursing funds from ACRNs with a longer remaining period of availability for expenditure.

a. If the process described for allocating WIP balances to ACRNs deviates from ACRN allocation instructions within the contract, allocations in entitlement and accounting systems may be established to reflect contract instructions that essentially direct liquidation of contract finance payments from ACRNs with a shorter remaining period of availability for expenditure. This may facilitate liquidation of obligations pursuant to section 1553 of Title 31, United States Code (U.S.C.), prior to closure of the appropriation account by operation of section 1552 of such title.

b. If the contracting officer (CO) determines that another alternate ACRN allocation methodology should be used to liquidate payments for a specific contract, then the CO must negotiate a written agreement to such an alternate methodology with the payment office before that alternate allocation methodology may be used.

5. There are occasions when work is shifted from one contract to another for the same contractor. The shifting of work between contracts should be in compliance with DoD progress payment policy of taking offsets whenever possible. When shifts occur, it is noted that a disbursement adjustment between contracts is a bookkeeping entry and not a payment transaction. Accordingly, when work is shifted between contracts of the same contractor, a progress payment is the net amount of the transactions involved on the contracts. Any transfers of work from one contract to another contract are ordered by a modification to each affected contract.

100403. Advance Payments. Advances are payments made to contractors in anticipation of performance on the contract. Advances are often made prior to the associated costs being accumulated and summarized in the contractor's accounting system. A clause providing for these payments is included in contracts before payment is made. For more details, see [FAR 32.4](#), [DFARS 232.4](#), and [Chapter 4](#) of this volume.

A. Internal Control. A subsidiary record is maintained for each contract on which an advance payment has been made.

B. Advance Payment Pool Agreements. Advance payments may be used for financing the performance of more than one contract. This is accomplished under a single advance payment agreement called an advance payment pool agreement. Advance payment pool agreements are used for the financing of cost type contracts with nonprofit educational or research institutions for experimental, or research and developmental work, when several contracts or a series of contracts require financing by advance payments. The educational institution uses the advance to pay expenses which will be reimbursed under performance of the contracts. The advance remains "outstanding" as long as there are: contracts remaining in the pool; the need for the amount exists; and there is contract value (unliquidated value on the contract) greater than the amount of the advance. Contracts may cite the funds of more than one agency or department when the contract is part of a pool agreement. When more than one contract is involved in the pool agreement, one or more of the contracts is designated as the contract for which the advance payments are applied. This is normally a large dollar value contract. The following guidelines apply to DoD Components operating under advance payment pool agreements.

1. The contractor request for an advance payment is approved for payment by the designated DoD Component. The advance payment must cite a specific appropriation associated with the advance payment pool agreement. The approved request is forwarded to the disbursing office.

2. The contractor forwards reimbursement vouchers to the office specified in the contract responsible for reviewing and certifying cost reimbursement payments.

3. Upon receipt of a properly certified reimbursement voucher in the entitlement office, it will be reviewed for accuracy. If proper, then payment is made.

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

b. A record will be maintained of all contract financing payments.

c. Payments will not exceed the total amount authorized on the contract.

d. Payments are made within 5 to 10 workdays after receipt of a properly approved reimbursement voucher, but not earlier than the date specified in the pool agreement. These payments are considered a form of contract financing.

4. A ledger is maintained to make sure that payments plus the amount advanced do not exceed the unliquidated obligations of all contracts awarded under the pool agreement. This condition may result from:

a. Failure to receive obligating documents.

b. Nearing completion of the pool contracts.

5. Do not make the payment when it will cause the unliquidated obligations to fall below the advanced amount. If this condition occurs, then notify the designated DoD Component and request further instructions. The Component will advise whether obligating documents are in transit or whether the payment must be processed to liquidate the amount advanced. Take the following actions based on this guidance.

a. If advised that obligating documents are in transit, then hold the payment voucher pending receipt of the obligating documents. After receipt of the obligating documents, make the payment to the contractor.

b. If advised that obligating documents are not in transit, then process the payment to liquidate the amount advanced.

(1) Process the voucher as a dual payee amount (that is, payable to the contractor or the entitlement office).

(2) Do not mail the check to the contractor.

(3) The entitlement office deposits the check and reduces the amount recorded.

(4) Notify the contractor of the reduction.

(5) In the event of contractor default or loss of funds, immediately notify the designated Component to obtain processing instructions.

6. When the advance is recouped or repaid, charge the appropriate contracts in the pool agreement and reduce the amount recorded against the designated contract as advance payments.

7. When a contract is terminated, the disbursing office will collect any balances due for advance payments and accrued interest.

100404. Recoupment Vouchers for Progress and Advance Payments

A. General. Progress and advance payments are recouped either by voucher deductions (from amounts otherwise due the contractor) or extremely rarely by cash refunds. Accomplish recoupments to match the payment requirements delineated in paragraphs 100402, 100403, and this paragraph.

1. Deduction from Vouchers. Prepare the disbursement voucher for completed work for the gross amount due, as though no deduction was involved, charging the applicable account. Then deduct from the gross amount the funds being recouped, citing the progress or advance payment account number. Record the recoupment, and indicate the contract number on both the voucher and recoupment.

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

B. Progress Payment Recoupment

1. The recouped amount is determined by multiplying the gross amount of the invoice by the liquidation rate. If this amount is greater than the outstanding WIP balance, then the outstanding WIP balance becomes the amount recouped.

2. The recoupment is first computed by applying the recoupment against the outstanding WIP balance of the ACRN to which the delivery is applicable. If sufficient schedule information is available, then any remaining recoupment is against the outstanding WIP balance of the ACRN. The recoupment is against the ACRN representing the delivery furthest into the future within the same service as the deliverable ACRN. If sufficient liquidation is not available within the deliverable service ACRN, then liquidation from the ACRNs of other Services should occur against the delivery furthest into the future. If sufficient schedule information is not available, then the remaining liquidation is prorated against those ACRNs with an outstanding WIP balance within the Service of the deliverable first and then off other Service ACRNs when necessary. The basis for the proration is the individual WIP balance to the total contract WIP balance.

3. Recoupments are not accomplished involving both U.S. and FMS funds unless both are involved with the payment of the deliverable item. If there is a deliverable against a U.S. ACRN, then progress payments are recouped as detailed in paragraph 100404.B.1. If there is an FMS deliverable, then progress payments are recouped against only that country involved with the FMS deliverable as detailed in paragraph 100404.B.1.

4. For invoices offering discounts on contracts with unrecouped (unliquidated) progress payment, see Chapter 2 of this volume.

1005 FAST PAYMENT

The fast pay procedure allows payment prior to verification that supplies have been received and accepted, under the limited conditions listed in [FAR 13.402](#) and [DFARS 213.402](#). When a purchase is made using fast payment procedures, payment is made based on the supplier's submission of an invoice, which constitutes a certification that the contractor has delivered the supplies to a post office, common carrier, or point of first receipt by the government, and that it will repair, replace, or correct nonconforming items. Payment is made no later than 15 days after receipt of a proper fast pay invoice. Manual invoices will be prominently marked as "FAST PAY" and processed using fast payment procedures. Invoices not prominently marked "FAST PAY" may be accepted for payment. If the contract contains [FAR Clause 52.213-1](#), Fast Payment Procedure, then the invoice may be paid using Fast Payment Procedures. If the Fast Payment Procedure clause is not incorporated into the contract, then the invoice will be paid in accordance with the procedures for invoices to which fast payment procedures do not apply. The contracting officer should be provided timely feedback concerning contractor performance (including deficiencies and any history of abuse) under fast payment purchases. The entitlement office, together with the contracting officer, should ensure the following conditions for use of the fast payment procedure are followed:

A. Use a closed loop process that matches payments to material receipts and resolves nonreceipt or other discrepancies.

B. An information flow that links consignee receipt and discrepancy information to both the purchasing and bill entitlement offices. The information flow documents contractor performance and provides timely feedback to contracting/bill entitlement offices.

C. A management control/audit program by the entitlement office for post-payment examination of payments made under fast pay. The audit shall confirm acceptance and receipt and include matching with payment documents. The first attempt to obtain missing receiving reports will be initiated no later than 45 days after payment is made. If the receiving report is not received within 45 days from the date of the initial follow-up, the entitlement office will contact the contracting officer to verify receipt and acceptance or issue a Report of Discrepancy to the contracting officer for noncompliance with contract terms, so that the entitlement office can start collection actions.

D. A prevalidation process that matches expenditures and obligations for fast pay transactions.

*1006 ROYALTY AND COOPERATIVE RESEARCH & DEVELOPMENT AGREEMENT (CRDA) INCOME

[Title 15 U.S.C. 3710a, 3710b, and 3710c](#) permit Federally-owned laboratories, and Government Owned, Contractor Operated (GOCO) laboratories in limited circumstances

provided for in subsection 3710a(b)(5), to receive, retain, and use income from licensing patents and CRDAs. DoD Instruction 5535.8 establishes DoD policy for distribution of royalties and other payments received under section 3710c. [Title 15 U.S.C. 3714](#) exempts receipts collected under sections 3710a, 3710b, and 3710c from the requirement that all expenditures be appropriated in advance by Congress. The funds are appropriated funds and regulations, limitations, and requirements applicable to execution of appropriated funds apply. The funds can be used or obligated during the fiscal year (FY) in which they are received or the succeeding FY. Any funds that have not been used or obligated by the end of the succeeding FY must be deposited into the Treasury Miscellaneous Receipt Account.