

CHAPTER 2**CONTRACT PAYMENT**0201 **OVERVIEW**

This chapter sets forth policy and procedures which govern examination, certification and payment of vouchers, invoices, contract financing requests, claims and other payment requests.

0202 **AUTHORITY AND REFERENCES**

020201. The statutory authorities governing the administration of all public accounts are contained in 31 USC 3301, et. seq.

020202. Relevant references to published regulations are made throughout the chapter where applicable. Refer to specific section for citations. Citations are made primarily from the following sources.

- A. Federal Acquisition Regulations (FAR)
- B. NASA FAR Supplement (NFS)
- C. United States Code (USC)
- D. Comptroller General Decisions (Comp. Gen.)
- E. Code of Federal Regulations (CFR)

0203 **ROLES AND RESPONSIBILITIES**020301. **NASA CENTER CFO**

A. NASA Center CFOs are responsible for ensuring that payments are processed timely and accurately. With responsibilities for determining entitlement and authorizing and executing payments and collections management shall:

1. Create, document, and maintain an organizational structure that appropriately segregates assigned duties, emphasizes adherence to policies and procedures, and employs sound internal accounting and system access controls.

2. Keep disbursement (entitlement) and accounting records accurate and in balance from contract execution through closeout, and monitor the causes of late payments and interest penalties incurred.

3. Validate cash management and payment performance quality and effectiveness on an annual basis.

4. Employ controls that limit access to data that are electronically transmitted, including appropriate separation of duties. Such controls shall provide reasonable assurance that deliberate or inadvertent manipulation, modification, or loss of data during transmission is detected.

0204 DEFINITIONS

020401. Contract. Contract means a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. It includes all types of commitments that obligate the Government to an expenditure of appropriated funds and that, except as otherwise authorized, are in writing. In addition to bilateral instruments, contracts include (but are not limited to) awards and notices of awards; job orders or task letters issued under basic ordering agreements; letter contracts; orders, such as purchase orders, under which the contract becomes effective by written acceptance or performance; and bilateral contract modifications. Contracts do not include grants and cooperative agreements covered by 31 USC 6301, *et seq.* For discussion of various types of contracts, see FAR Part 16.

020402. Electronic Funds Transfer. Electronic Funds Transfer (EFT) means any transfer of funds, other than a transaction originated by cash, check, or similar paper instrument that is initiated through an electronic terminal, telephone, computer, or magnetic tape, for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account. The term includes Automated Clearing House transfers, Fedwire transfers, and transfers made at automatic teller machines and point-of-sale terminals. For purposes of compliance with 31 USC 3332 and implementing regulations at 31 CFR 208, "Management of Federal Agency Disbursements", the term "electronic funds transfer" includes a Governmentwide commercial purchase card transaction.

020403. Invoice. Invoice means a contractor's bill or written request for payment under the contract for supplies delivered or services performed (see also "proper invoice" 020503 C below).

020404. Voucher. The term "voucher" generally encompasses vendor invoices or other approved Government forms prepared by or for the creditor requesting payment for services, supplies, equipment, transportation, or any other transaction, which obligates NASA and ultimately results in expenditure.

020404. Receiving Report. Receiving report means written evidence that indicates Government acceptance of supplies delivered or services performed (see Subpart 46.6). Receiving reports must meet the requirements of 32.905(c).

0205 DOCUMENTATION REQUIREMENTS FOR CONTRACTS AND OTHER PAYMENTS

020501. Contracts

A. A contract or purchase order serves as documentation of legal obligation that is needed to make payments.

B. Promptly upon completion of the award of contracts or the issuance of purchase orders, contracting officers will prepare and forward one copy to the appropriate Center financial management office the originals or signed copies of all procurement documents, (contracts, letter contracts, purchase orders, grants) as specified in Federal Acquisition Regulation (FAR) 4.201 and NASA FAR Supplement (NFS) 18-4.202.

C. Review of Procurement Documents. Contracts should be reviewed when received in the Center financial management office to assure compliance with requirements to substantiate the contract as a valid obligation with provisions sufficient for the payment process to occur. This review reduces the necessity for a detailed examination of the contract when invoices are presented for payment. If a problem is detected, the Center financial management office will notify the contracting office personnel of items in the contract that need to be corrected. Errors in contractual documents must be corrected by a formal modification that shall be issued by the contracting officer in a timely manner. Center financial management office will not make any changes to contracts.

D. Contract Payment Records. Center financial management offices will maintain individual contract payment records in such detail that the financial status of each contract can be readily determined and reported to the contracting officer to assist in determination of whether payment of a given invoice should be approved. Individual payment records for contracts (purchase orders or other procurement documents as applicable) should, as a minimum, provide the following information:

1. Contract number
2. Date of contract
3. Anticipated completion date

4. Total cost per contract
5. Cost billed to date (include current invoice)
6. Percent of contract billed
7. Total fee per contract
8. Total fee billed to date
9. Billing period covered
10. Total contractual reimbursement less fee
11. Total fee paid to date
12. Exceptions taken on NASA Form 456, Notice of Contract Costs Suspended and/or Disapproved
13. Withholding
14. Number of last invoice paid.

E. Central Contractor Registration (CCR). Under 31 USC 3332, “Required Direct Deposit” as implemented by 31 CFR 208 “Management of Federal Agency Disbursements” and FAR 32.11, federal payments after January 1, 1999, shall be made by EFT unless the waiver provisions at FAR 32.1103 apply. Under FAR 4.1102, unless specifically permitted to be excluded, a contractor shall be registered in the CCR database prior to contract award (lack of registration in the CCR database makes an offeror ineligible for award per FAR 52.204-7). Through the FAR solicitation/contract clause 52.204-7, the contractor acknowledges that prospective awardees must be registered in the CCR database prior to, during performance, and through final payment of any contract (except awards to foreign vendors for work to be performed outside the United States). Contracts are considered grandfathered that were issued prior to July 26, 1996, without CCR database registration and EFT clauses. In that situation, EFT enrollment is voluntary and payment cannot be withheld.

1. The contractor is responsible for providing CCR database registration and EFT information.

2. The Center Office of the Chief Financial Officer shall notify the contractor when EFT information is not provided under the mandatory contract clauses. The notice shall indicate exercise of the government's mandate to pay via EFT. Further, the notice shall indicate that the government will return vouchers and invoices and withhold payment until correct EFT information is entered into the CCR database (FAR 52.232-33) or until received by the designated office (FAR 52.232-34).

3. The NASA Center Office of the Chief Financial Officer shall take the following actions when a contract that is not exempt from CCR (see FAR 32.1103) does not include the clauses providing for CCR database registration and payment by EFT.

a. Ascertain from the contracting officer an explanation for this apparent omission. If it is an omission return the contract to the contracting office to rectify the lack of compliance with CCR and EFT requirements. Request that the contract be modified to include the appropriate CCR database registration and EFT clauses. A copy of the request shall be sent to the contractor.

b. Notify the senior acquisition official and senior financial manager if a particular contracting office repeatedly fails to comply with the mandatory EFT and CCR contracting requirements. Request that appropriate clauses be inserted in all existing and future contracts.

c. Notify the contractor of applicable CCR database registration and EFT requirements and request voluntary compliance. Send a copy of the notice/request to the applicable contracting office.

d. Pay the contractor and notify the applicable contracting office if the contractor is unwilling to comply with CCR database registration and EFT requirements, or threatens or initiates litigation. Request the contracting office to insert the appropriate clauses in existing and future contracts.

020502. Receipts. Maintain receipt documentation (such as receiving reports) to document evidence of receipt of goods.

020503. Invoices.

A. Purchase order or contract terms and conditions specify the payment due date(s), acceptance period following delivery to inspect and/or test goods or evaluate services provided (see FAR 32.905(b)(1)), entitlement to milestone or other partial payments, and entitlement to interest penalties when the payment is late. Vendor and contractor delivery and partial delivery payment requests are submitted by invoice, when required by the contract. Invoice payments include progress payments under construction contracts (i.e., payments made on the basis of stage or percentage of completion). Under certain conditions, a delivery ticket or receiving report (e.g., DD

Form 250) may serve as an invoice. Invoices are written or electronically submitted documents that must include the information specified in 5 CFR 1315.9(b) and FAR Subparts 32.9 and 32.11. Invoices shall be submitted to the designated billing office specified in the order or contract.

B. There is no prescribed format for the invoice but the invoice must contain certain information as required by FAR 52.232-25(a) (4). The forms used in commercial transactions are acceptable. An original contractor invoice specifically is required as a condition of the contract. If an invoice is lost and the contractor submits another one for payment, the second invoice should be marked in bold letters that this is a duplicate invoice. This bold marking should help ensure that a payment will not be made twice on the same invoice. Automated (computer generated, etc.) prepared invoices are also acceptable. The contractor must furnish the appropriate number of invoice copies required by the contract (normally four). The invoice copies must be legible and remain legible under normal use until the schedule time for destruction.

C. Documents used for support and payment of invoices are 1) procurement documents, such as a contract or purchase order, 2) an invoice (either a vendor's invoice or approved voucher form prepared by or for the creditor) representing the amount claimed, 3) evidence of receipt and acceptance of goods or services ordered, and 4) the summary scheduling document that identifies the amount to be paid.

D. Proper Invoice. The conventional trade invoice with supporting documents, such as the purchase order, requisition, receiving report, inspection report and other pertinent addenda. An invoice must include specific information for it to be considered a proper invoice for payment. An invoice that does not include all information specified in the contract shall be returned, with a statement of reasons as to why it is not a proper invoice. The following correct information constitutes a proper invoice and shall be included for payment:

1. Name and address of the contractor or payee.
2. Invoice date and invoice number or other qualifying number. (Contractors should date invoices as close as possible to the date of mailing or transmission.)
3. Contract number or other authorization for supplies delivered or services performed (including order number and contract line item number).
4. Description, quantity, unit of measure, unit price, and extended price of supplies delivered or services.
5. Shipping and payment terms (*e.g.*, shipment number and date of shipment, discount for prompt payment terms). Bill of lading number and weight of shipment will be shown for shipments on Government bills of lading.

6. Name and address of contractor official to whom payment is to be sent (must be the same as that in the contract or in a proper notice of assignment).

7. Name (where practicable), title, phone number, and mailing address of person to notify in the event of a defective invoice.

8. Taxpayer Identification Number (TIN). The contractor must include its TIN on the invoice only if required by agency procedures. (See 4.9 TIN requirements.)

9. If not provided in the contract documents banking information necessary for NASA to make electronic funds transfer payment to the payee's financial institution or agent, unless procedures provide otherwise, or except in situations where EFT requirement is waived under 31 CFR 208.4

10. other substantiating documentation or information as required by the contract.

E. Lost or Destroyed Invoices. When the vendor states that an invoice has been submitted and payment has not been received, a duplicate copy of the original invoice must be obtained from the vendor. The invoice and invoice schedule will be processed through regular channels. Documentation must be maintained with the invoice that provides a full explanation or statement of all facts surrounding the loss or destruction of the original invoice; and a statement that steps have been taken to prevent duplicate payments. The documents must also be conspicuously marked duplicate original to prevent duplicate payment.

F. NASA Vendor Agreements. Invoices are not required when services of a recurring nature are performed under NASA-vendor agreements providing for payments in a definite amount and at a fixed periodic interval. In agreements, which permit payments of this type, appropriate internal controls will be instituted to ensure that the amounts paid are correct, and that appropriate steps have been taken to prevent duplicate payments. Supporting documentation must be readily available for use by NASA, GAO, and audit representatives for DCAA or other agencies, which the responsibility for NASA contract audit has been delegated.

G. Acceptance of Original Invoice or Copies. While original invoices are preferred, payments may be made based upon any media which produces tangible recordings of information in lieu of "written" or "original" paper document equivalents should be used to expedite the payment process rather than delaying the process by requiring "original" paper documents. NASA Center's should ensure adequate Internal controls are in place to ensure the integrity of the data and to prevent payment duplication.

H. Non-receipt of Invoices. The Center financial management office should request invoices and supporting documents from contractors where there is no question of the government's liability and there is no dispute of facts. This is not held as inviting a claim as it is in the interest of prompt payment of an open account (30 Comp Gen 266 (1951)). Faxed invoices are received at the discretion of the Center financial management office. Invoices sent to the office designated in the contract by FAX are acceptable provided they meet the copy and content of this section and the legibility requirements in the FAR Part 32. Do not accept transmission if invoices must contain a certificate and original signature of the payee or must be supported by original documentation such as claims for prepaid freight charges.

020504. In some cases Ordering forms for Supplies or Services such as Optional Form 347, prescribed by GSA may serve as both the order and the invoice.

020505. Public Voucher for Purchases and Services Other Than Personal - SF 1034. This form is used as a document to support disbursements for purchases and services other than personal.

020506. Public Voucher for Refunds - SF 1047 and SF 1049. These forms are used authorize withdrawals from NASA deposit accounts for payments in accordance with the purpose for which the deposit was made and to process refunds due remitters.

020507. Voucher and Schedule of Withdrawals and Credits - SF 1081. This form is used by one Federal agency as a claim against another.

020508. Public Voucher for Transportation Charges - SF 1113. This form is submitted by carriers for passenger and freight transportation furnished NASA on an U.S. Government Transportation Request or Government Bill of Lading.

0206 INVOICE PROCESSING

020601. No payment is made without evidence of a liability and a determination of entitlement. The nature and extent of procedures vary for financing and invoice payments. Entitlement to financing payments shall be determined by contract terms and conditions, including any required approvals by contracting officers, contract administrators, or contract auditors. Entitlement to invoice payments shall include, as applicable, additional determinations such as proof of receipt and acceptance, receipt of a proper invoice, and verification of all computations. 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. Since payment is made based on the contractor's certification, Center financial management offices shall ensure the performance of post payment audits. The post payment audits must be completed within 30 days after payment. The audits shall confirm acceptance and receipt and include

matching with payment documents. Funds validation shall be performed immediately before the time of payment.

020602. Examination. The examination made prior to payment will ensure that:

A. The expenditure or collection is authorized by law or regulation and is in accordance with the terms of the applicable agreement;

B. The procurement document was issued before the delivery of the articles or the furnishing of services, confirms a verbal authority for the delivery or rendering of such articles or services, or constitutes a retroactive approval of the transaction. In the latter case, the authority for such retroactive authorization will be furnished;

C. The procurement document was issued by an authorized employee acting under a valid delegation of authority. The signature of the designee must be on record in the financial management office of the Center either in the form of Center memorandums or official NASA publications. Verbal orders must be promptly confirmed in writing. Written confirmations will indicate the date of the verbal order;

D. The required administrative approvals (administrative certification on a receiving report or invoice as applicable) are executed by an employee designated as a proper administrative approving official who is aware of the facts needed to determine the quantity and quality of the articles or services delivered or rendered and accepted;

E. The quantities, prices and amounts are correct and in agreement with the contract or agreement;

F. The proper documents are enclosed to verify the payment amount;

G. The appropriation or fund citations are valid.

H. Invoices received involving an alleged mistake in bid will be held until the matter has been satisfactorily resolved. Evidence of an administrative determination will be obtained from the contracting officer prior to completing the processing of the invoice for payment;

I. All applicable deductions were made and credited to the proper account in the correct amount. Only cost effective discounts are taken. Overstatements in the amount claimed and any known indebtedness of the payee to the United States will be adjusted before the amount payable is determined.

J. A Taxpayer Identification Number (TIN), which refers to the nine digit Employer Identifying Number or Social Security Number, is provided for each

vendor indicated on the payment invoice unless it has already been obtained and is readily available; and

K. The vendor's banking information is provided unless it has already been obtained and is readily available or the EFT requirement is waived under 31 CFR 208.4.

020603. Examination – Additional Functions. The following additional functions are to be performed by the Center CFO in the review of each contract financing request submitted by contractors for provisional payment:

A. Determine that cumulative costs claimed do not exceed the amount of obligations established and reserved to cover the estimated costs of the contract and modifications

B. Verify that funds have been or are being withheld in amounts sufficient to cover reserves for drawings, patents, or other similar items as specified in the contract;

C. Compare the cumulative fee claimed with contractual limitations on interim fee payments;

D. Determine that the invoice has been provisionally approved for payment by an agency representative that has been delegated such responsibility; and

E. Ensure that copies of paid requests are distributed to the following as applicable: Contracting Officer and Contractor.

020604. Invoicing Discrepancies.

A. Variances. NASA employees shall not alter the payee's name, address, quantity or unit price of supplies and services stated on the invoices submitted. However, there may be variances discovered between the amount claimed by the payee and the proper amount determined by the responsible NASA employee to be payable during the examination of payment documents. If these variances are under claims of a small amount and the documents show that the payee intends to make a claim for the full amount due, an upward adjustment not to exceed \$100 may be made in making the payment. Evidence that the payee intends to claim the full amount shall be filed with the payment documents and may be documented telephone call, receipt of a facsimile request for full payment, or other similar support. Proper internal controls shall be in place to provide assurance that fraud or abuse does not occur. These administrative adjustments may be made without a contract modification of the claim by the payee when it is clear on the face of the payment documents that the adjustment is appropriate.

B. Shipment Shortages/Overages. When a shipment is short of the quantity ordered, the Center CFO shall pay, in compliance with the Prompt Pay Act, the amount of the invoice that supports quantity received. If the receiving report or invoice indicates that the shipment is final, but there are undelivered items remaining, the Center CFO shall contact the contracting officer and advise of the final shipment and request disposition of the remaining items. The contract should be left open until there is a reconciliation of contract price and items delivered or advised by the contracting officer to close the contract. If the receiving report indicates that shipment has been made of quantities in excess of the contractual amounts, determine if the contract contains FAR clause 52.212-10. If so, process as follows:

1. Excess quantities up to \$250 may be accepted and retained by the government without payment to the contractor.

2. Quantities in excess of \$250 will, at the option of the government, either be returned at the contractor's expense or retained and paid for at the contract unit price. The contracting officer should be contacted and a contract modification must be issued to reflect the adjusted quantity when excess quantities are retained.

020605. Administrative Approval. Administrative approvals are written statements by civil service employees attesting to the facts of an individual transaction from personal knowledge. Administrative approval may be accomplished electronically and should include: A) the date of actual receipt of the goods and services at the Center central receiving point or at the location specified in the ordering document unless additional acceptance requirements exist; and B) the date of acceptance and signature of the NASA official duly authorized to accept the goods and services on behalf of the Government.

A. A receiving report may serve as an administrative approval and, in addition to the items identified above, must include the:

1. Contract or other procurement document authorization number;

2. Product or service description;

3. Quantities received, if applicable; and

4. Signature, printed name, title, phone number and mailing address of the receiving official.

B. Defense Contract Audit Agency (DCAA). The DCAA is commonly delegated authority to provisionally approve vouchers on NASA's cost-type contracts. Contractors approved by the DCAA to have adequate billing system internal

controls, however, are authorized to submit interim vouchers (contract financing requests and fee vouchers) directly to NASA Center financial management office. Such authorization does not extend to the first and final voucher of a contract. In cases in which the contract requires the contractor to send invoices to DCAA, the DCAA office or representative specified in the contract would be considered the employee designated to first receive invoices.

C. Administrative Contracting Officer (ACO). The following invoices and vouchers require ACO approval before payment:

1. Completion vouchers under cost-plus fixed fee or other cost-reimbursement contracts,
2. Vouchers and invoices for termination costs under supplemental agreements unless the termination modification specifies the costs to be paid,
3. Vouchers and invoices under time and materials contracts,
4. Invoices for progress payments under fixed-price type contracts,
5. Vouchers and invoices for which the contract requires approval by the ACO before payment,
6. Invoices for the release of “withhold” amounts previously instituted by the ACO, and
7. Any amount requested in which a Center financial management officer requires an ACO signature.

020606. Payment Limitations. The following contract clauses, when applicable, may impose limitations on entitlement to financing or invoice payments.

A. Limitation on Undefined Contracting Actions. In accordance with FAR 16.603-4, letter contracts shall include FAR contract clause 52.216-24. Therefore, the maximum amount of the government’s obligation is the amount specified in the clause.

B. Limitation of Cost or Funds. The basic requirements for contract funding are described in FAR 32.700. No officer or employee of the government may create or authorize an obligation in excess of the funds available or in advance of appropriations. The contracting officer expressly shall condition contracts on the availability of funds. Fully funded, facilities, and incrementally funded cost-type contracts may include FAR contract clauses 52.232.20, 21, or 22. Therefore, the

government's obligation to the contractor (and the contractor's obligation to perform) is generally limited to the funds allotted to the contract.

C. Limitation on Withholding of Payments. In accordance with FAR 32.111(c), noncommercial supply, research and development, service, time and materials or labor hour contracts that include two or more terms that authorized temporary withholding of amounts otherwise payable shall include FAR contract clause 52.232-9. There under, the total amount that may be withheld at any one time shall not exceed the amount that may be withheld under any one clause or contract schedule term. This limitation does not apply to withholding under any clause related to employee wages, the recovery of overpayments, withholdings not provided for in the contract, or to any withholding for which the contracting officer determines the limitation would not be appropriate.

D. Limitation of Government's Obligation. In accordance with FAR 32.705-2, incrementally funded fixed-price contracts (one or more incrementally funded contract line items) shall include FAR contract clause 52.232-20. Therefore, the government's obligation to the contractor (and the contractor's obligation to perform) generally is limited to the funds allotted. The contract clause requires the contractor to notify the contracting officer 90 days prior to the date when the work will reach 85 percent of the amount then allotted.

020607. Assignments. Contractors are permitted to assign moneys due from the Government under a contract for payments aggregating \$1,000 or more if the contract does not prohibit such assignment.

A. The assignee may be a bank, trust company, Federal-lending agency, or other recognized financing institution. Unless otherwise permitted by the contract, the assignment (1) must cover all amounts payable and not already paid, (2) shall not be made to more than one party, and (3) shall not be subject to further assignment, except that an assignment or reassignment may be made to one party as agent or trustee for two or more parties participating in financing the contract.

B. Required Documents. In the event of an assignment of claims, the assignee will file written notice of the assignment together with a true copy of the instrument of assignment with:

1. The contracting officer,
2. The sureties upon the bonds, if any, in connection with such contract, and
3. The Center Chief Financial Officer designated in the contract to make payment.

C. Each party will acknowledge receipt by returning to the assignee three copies of the notice of assignment. The assignee will be instructed to forward two copies of the acknowledged notices from each of the parties to the contractor. The contractor will enclose a copy of the notice with the first invoice submitted for payment.

D. Contractor's Recognition of Assignment. When there is a valid assignment of money payable under a contract, it is not necessary to obtain a specific claim from the assignee. The invoice, in support of a payment to the assignee, should clearly indicate that the contractor recognizes the assignment, validity, and the right of the assignee to receive payment. The form or means of indicating such recognition is not material.

E. Assignment Payment. Payments made to an assignee shall include, as a minimum, the name of the contractor and the contract number. The payee must be indicated as, for example, First National Bank, as Assignee of Jones, Miller and Company, 3rd and Erie Streets, Huntsville, Alabama.

1. When requesting vendor financial institution information for Treasury electronic payment systems, Centers will review all contracts to determine if payments have been assigned. If the contract has been effectively assigned, Centers should request financial institution information pertaining to the assignee, not the contractor/vendor.

2. Payment of moneys due under a contract that has been assigned may not be made to the contractor unless the contract is supported by a properly executed release of assignment instrument.

F. Notice of Release of Assignment. When moneys remain payable under the contract and the assignment is released to the contractor, the contractor should file, with the same parties with whom the assignee was required to file, written notice of such release together with a true copy of the instrument of release assignment (22 Comp. Gen. 520). The instrument of release of assignment will be filed with the contract file maintained in the Center Financial Management Office.

G. Contracts Under Which Payment cannot be Assigned. Amounts due or to become due under indefinite quantity contracts cannot be assigned, because such contracts do not specifically obligate the Government to order services or supplies for which payment will aggregate \$1,000 or more. Therefore, contracting officers, Center, Chief Financial Officer and others will not recognize assignments of moneys due or to become due under indefinite-quantity or "source of supply" contracts