



DEPARTMENT OF DEFENSE
Defense Contract Management Agency

INSTRUCTION

Public Vouchers

Contracts Directorate
OPR: DCMA-AQCF

DCMA-INST 106
July 31, 2013

Validated Current with Administrative Changes, June 30, 2014

1. PURPOSE. This Instruction:

- a. Reissues and updates DCMA Instruction (DCMA-INST) 106, “Public Vouchers” (Reference (a)).
- b. Establishes policies, assigns roles and responsibilities, and provides for the administration of Public Vouchers.

~~c. Implements DCMA Policy pursuant to References on page 3.~~

~~d. Complies with DoD Directive (DoDD) 5105.64 (Reference (b)).~~

c. Is established in accordance with the authority in DoDD 5105.64, “Defense Contract Management Agency (DCMA)” (Reference (b)).

2. APPLICABILITY. This Instruction applies to all DCMA activities: *unless higher-level regulations, policy, guidance, waiver, or agreements take precedence; e.g., DCMA International and Special Programs. For classified contracts with security requirements, exceptions to this Instruction shall be in accordance with supplemental instructions maintained by the Special Programs Directorate.” (DCMA-INST 221, Integrated Surveillance Plan (Reference (c)))*

3. MANAGERS’ INTERNAL CONTROL PROGRAM. This instruction contains managers’ internal control provisions that are subject to evaluation and testing as required by DCMA-INST 710, “Managers’ Internal Control Program” (Reference (d)). The process flowchart is located ~~at Appendix A:~~ *on the resource Web page.*

4. RELEASABILITY – UNLIMITED. This Instruction is approved for public release.

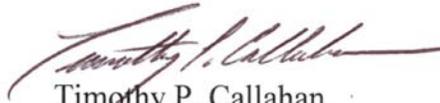
5. PLAS CODE.

- a. 141 Public Vouchers
- b. ACAT/Other Customers (when applicable).

c. Other National; Training and Travel, Local Programs (when applicable).

6. POLICY RESOURCE WEB PAGE. <https://home.dcma.mil/policy/106r/>

7. EFFECTIVE DATE. By order of the Director, DCMA, this Instruction is effective immediately.



Timothy P. Callahan
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Contracts

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REFERENCES

- (a) DCMA-INST 106, "Public Vouchers," May 2004 (hereby canceled)
- (b) DoDD 5105.64, "Defense Contract Management Agency (DCMA)," January 13, 2013
- (c) ***DCMA-INST 221, "Integrated Surveillance Plan," April 14, 2014***
- (d) DCMA-INST 710, "Managers' Internal Control Program," ***April 21, 2014***
- (e) DFARS 252.232-7003(b), "Electronic Submission of Payment Requests and Receiving Reports"
- (f) DoD 7000.14-R "Financial Management Regulations (FMR)" Volume 10, Chapter ***10, paragraph 100302, Cost Reimbursement Type Contracts, June 2012***
- (g) DFARS 232.7002, "***Electronic Submission and Processing of Payment Requests and Receiving Reports – Policy***"
- (h) DoD 7000.14-R "Financial Management Regulations (FMR)" Volume10, Chapter 8, ***paragraph 080404, Invoice, August 2012***
- (i) DoDD 5105.36, "Defense Contract Audit Agency (DCAA)," January 4, 2010
- (j) FAR 6.302-2, "Unusual and Compelling Urgency"
- (k) DFARS PGI 204.7108(b), "Payment Instructions"
- (l) DFARS PGI 204.270, "Electronic Document Access"
- (m) Defense Procurement and Acquisition Policy Letter, November 3, 2009
- (n) FAR 52.232-20, "Limitation of Cost"
- (o) FAR 52.232-22, "Limitation of Funds"
- (p) FAR 52.216-7, "Allowable Cost and Payment"
- (q) FAR 52.232-7, "Payments Under Time-and-Materials and Labor-Hour Contracts"
- (r) FAR 4.804-5, "Procedures for Closing Out Contract Files"
- (s) DFARS PGI 225.870-5, "***Other International Agreements and Coordination - Contract Administration***"
- (t) FAR 16.601, "Time-and-Materials Contracts"
- ~~(t) FAR 52.232-7 Payment Under Time and Materials and Labor Hour Contracts~~
- ~~(u) FAR 52.232-7(g), Assignment and Release of Claims~~
- (u) FAR 16.703, "Basic Ordering Agreements"
- (v) FAR 52.216-8(b), "Fixed Fee"
- (w) DFARS 252.242-7005(d), "Contractor Business Systems"
- (x) DCMA-INST 131, "Contractor Business Systems," ***November 6, 2013***
- (y) FAR 16.306(d)(1), "Cost-Plus-Fixed-Fee Contracts – ***Completion and Term Forms***"
- ~~(aa) FAR 16.306 (d)(2), Cost-Plus-Fixed-Fee Contracts~~
- (z) FAR 52.233-1, "Disputes"
- (aa) DCMA-INST 905, "Contract Claims and Disputes," ***December 17, 2013***
- (ab) DCMA-INST 134, "Boards of Review," ~~October 15, 2012~~ ***November 4, 2013***
- (ac) FAR 16.304, "***Cost-Reimbursement Contracts - Cost Plus Incentive Fee Contracts***"
- (ad) FAR 16.405-1, "***Cost-Reimbursement Incentive Contracts - Cost Plus Incentive Fee Contracts***"
- (ae) FAR 52.216-10 (c)(1), "Incentive Fee"
- ~~(ah) FAR 52.232-20, Limitation of Cost~~
- (ag) ***DCAA Contract Audit Manual (CAM) Chapter 6, Paragraph 6-1008, "Review and Approval of Interim Public Vouchers Submitted to the Auditor," February 24, 2014***

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- (ah)* FAR 1.405, “Deviations Pertaining to Treaties and Executive Agreements”
- (ai)* DFARS 225.872-6, *“Contracting With Qualifying Country Sources – Audit”*
- ~~*(am)* DFARS PGI 225.870-5, Contract Administration~~
- (aj)* *DCAA CAM, paragraph 6-1007, “Defense Contract Audit Manual “Direct Submission of Interim Public Vouchers to Disbursing Offices (Direct Billing),” February 24, 2014*
- (ak)* DFARS 252.242-7006, “Accounting System Administration”
- (al)* DFARS 252.242-7004, “Material Management and Accounting System”
- (an)* DFARS 252.244-7001, “Contractor Purchasing System Administration”
- (ao)* DFARS 252.234-7002, “Earned Value Management System”
- (ap)* DFARS 252.215-7002, “Cost Estimating System Requirements”
- (aq)* *FAR 42.705, “Final Indirect Cost Rates”*
- (ar)* *FAR 2.101, “Definitions”*
- ~~*(au)* DCMA-INST 128, “Disallowance of Cost,” December 2011~~
- (as)* *DCMA-INST 128, “Disallowance of Costs,” December 4, 2013*
- (at)* FAR 31.205-26, *“Selected Costs - Material Costs”*
- ~~*(aw)* FAR 42.705, Final Indirect Cost Rates~~
- ~~*(ax)* FAR 2.101, Definitions~~

CHAPTER 1

POLICY

1.1. POLICY. It is DCMA policy to ensure that:

1.1.1. The contractor is appropriately reimbursed for authorized costs incurred under cost reimbursement, time and material and labor-hour (T&M/LH) contracts to the extent they are reasonable, allocable, and determined to be allowable in a timely manner.

1.1.2. The contractor is paid for fees earned based on contract terms and conditions in a timely manner.

1.1.3. DCMA customers receive timely notification of potential cost over-runs or under-runs, and contracts are properly adjusted when necessary.

1.1.4. DD Form 250, Material Inspection and Receiving Report, may be used to request payment for firm-fixed price contract line item numbers (CLIN); and SF 1034, Public Voucher for Purchases and Services Other than Personal may be used to request payment of cost CLINs unless stated otherwise in the contract.

1.1.5. This Instruction is applicable to contracts delegated to DCMA for administration.

CHAPTER 2

ROLES AND RESPONSIBILITIES

2.1. CONTRACTOR. The contractor submits payment requests and receiving reports electronically in the Wide Area Workflow (WAWF) system in accordance with Defense Federal Acquisition Regulation Supplement (DFARS) 252.232-7003(b) (Reference *(e)*) and DoD 7000.14-R Financial Management Regulation (FMR) Volume 10, Chapter 10, paragraph 100302 (Reference *(f)*) when the clause is stated in the contract. DFARS 232.7002 (Reference *(g)*) identifies exceptions to electronic submission.

2.2. CONTRACT ADMINISTRATOR (CA). The CA:

2.2.1. Reviews prime contracts and modifications to determine if they contain a requirement for Public Voucher (PV) submission or special payment instructions.

2.2.2. Reviews requests for payment when necessary to check accuracy and provide recommendations to the administrative contracting officer (ACO) when discrepancies are identified or ACO signature is required.

2.3. ADMINISTRATIVE CONTRACTING OFFICER (ACO). The ACO (see DoD 7000.14-R FMR Volume 10, Chapter 8, paragraph 080404 E (Reference *(h)*):

2.3.1. Reviews and approves the completion/final voucher under cost-plus, fixed fee, or other cost-reimbursement contracts.

2.3.2. Reviews and approves vouchers and invoices for termination costs under supplemental agreements unless the termination modification specifies the costs to be paid.

2.3.3. Reviews and approves completion vouchers under T&M/LH contracts.

2.3.4. Reviews and approves invoices for progress and performance-based payments under fixed-price type contracts.

2.3.5. Reviews and approves vouchers and invoices where the contract requires approval by the ACO before payment.

2.3.6. Reviews and approves invoices for the release of withhold amounts previously instituted by the ACO.

2.3.7. Reviews and approves any payment request where a disbursing officer requires an ACO signature.

2.3.8. Tracks and evaluates the contractor's business systems and key processes that influence contract billing. Furthermore, the responsible contracting officer approves contractor business systems.

2.3.9. May request that the assigned engineer and/or industrial specialist conduct a technical evaluation of contractor's progress and/or estimate of total cost to perform contract.

2.4. CONTRACT AUDITOR. The contract auditor:

2.4.1. Receives, reviews, and approves interim cost PVs including vouchers for commercial and non-commercial T&M/LH contracts. Defense Contract Audit Agency (DCAA) is the authorized representative of the ACO for approving interim vouchers for provisional payment at locations where DCAA has cognizance, except for the final voucher. ACOs may approve other than final vouchers in order to administer canceling funds, resubmitted interim vouchers, and fee withholds. See DoDD 5105.36 (Reference *(i)*) for additional information.

2.4.2. Has sole authority for verifying claimed costs and approving interim payment costs under cost-reimbursement, and T&M/LH contracts. Contracting Officer Representatives (COR) shall not be delegated authority to approve these types of payments. The CORs 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 ACO approves the final payment request, and the CORs coordinate with DCAA if any cost verification is needed. DoD 7000.14-R FMR Volume 10, Chapter 10, paragraph 100302 (Reference *(f)*) contains additional details.

CHAPTER 3

PROCEDURES

3.1. CONTRACTOR. The contractor:

3.1.1. Submits payment requests and receiving reports electronically in the WAWF System in accordance with DFARS 252.232-7003(b) (Reference *(e)*) when the clause is in the contract, except for the following circumstances as stated in DFARS 232.7002 (Reference *(g)*):

3.1.1.1. Classified contracts or purchases when electronic processing of payment could compromise classified information or national security.

3.1.1.2. Contracts awarded by deployed contracting officers during military operations, including, but not limited to contingency, humanitarian, or peacekeeping operations as a result of an emergency response to a natural disaster or national or civil emergencies whereas access to WAWF is not feasible.

3.1.1.3. Purchases to support urgent, unusual, or compelling need for supplies or services for which a delay would result in serious injury to the Government unless the agency is permitted to limit the number of sources from which it solicits bids or proposals. In addition, the action shall be supported by a written justification and approval according to guidelines stated in FAR 6.302-2 (Reference *(j)*).

3.1.2. Must not exceed funding ceiling for cost reimbursement contracts except at contractor's own risk or with approval of the contracting officer as stated in DoD 7000.14-R FMR Volume 10, Chapter 10, paragraph 100302 (Reference *(f)*).

3.2. CONTRACT ADMINISTRATOR (CA). The CA:

3.2.1. Reviews prime contracts and modifications to determine if they contain special payment instructions. Special payment instructions are placed in the contract when appropriate to control expenditures, to prevent funds cancellations, and to align disbursements with actual performance.

3.2.2. If special payment instructions are in the contract (normally in Section G as specified in DFARS Procedures, Guidance, and Information (PGI) 204.7108(b) (Reference *(k)*), the CA verifies that Defense Finance and Accounting Services (DFAS) has entered them into the Mechanization of Contract Administration Services (MOCAS) system. If the special payment instructions are not entered into MOCAS, the CA submits a written request to DFAS or the contract management office (CMO) trusted agent if authorized to enter the instructions. For classified contracts, the CA notifies the appropriate disbursement office of any special payment instructions. There are three different types of Special Payment Instruction Indicator fields in MOCAS Provisions Data screen CT5803:

3.2.2.1. A “Y” in the BVN-INST-RQD field indicates that special payment instructions exist for PVs Bureau Voucher Number (BVN) type payments requests. The actual instructions are included in the screen following the MOCAS Provisions screen.

3.2.2.2. A “Y” in the PROGPAY-INST-RQD field indicates that special payment instructions exist for Progress Payment requests. The actual instructions are placed in the screen following the MOCAS Provisions screen.

3.2.2.3. A “Y” in the SPCL-PAY-RQD field indicates that a specific CLIN has special payment instructions. The actual instructions are placed in the screen following the MOCAS Provisions screen.

3.2.2.4. If the field contains an “N” that payment type will be prorated by distributing the payment request amount proportionally across all accounting classification reference numbers.

3.2.3. Should issue a Contract Deficiency Report using the Electronic Document Access (EDA) system to request correction by the procuring contracting officer (PCO) if payment instructions are missing or not in compliance with DFARS/PGI 204.7108(b) (Reference *(k)*). Payment instructions can be found at DFARS PGI 204.7108(b) through (d) (Reference *(k)*) and when applicable shall be inserted by the contracting officer in contract section G and any separately priced orders that contain:

3.2.3.1. Contract line items funded by multiple accounting classification citations for which contract line item or items are not broken out into separately identifiable subline items.

3.2.3.2. Cost-reimbursement or T&M/LH items.

3.2.3.3. Authorized financing payments.

3.2.4. Shall register in the EDA system when assigned responsibility for contracts issued by or delegated to DCMA for administration. DFARS PGI 204.270 (Reference *(l)*) states that all contracting officers shall obtain an account in the EDA system as required by Defense Procurement and Acquisition Policy letter (Reference *(m)*).

3.3. ADMINISTRATIVE CONTRACTING OFFICER (ACO). The ACO:

3.3.1. Ensures that the contractor complies with Federal Acquisition Regulation (FAR) 52.232-20, Limitation of Cost (*Reference (n)*) or FAR 52.232-22, Limitation of Funds (Reference *(o)*) requirements, when applicable to cost-type contracts as stated in the contract.

3.3.2. Ensures that problems involving fee withholding requirements are promptly identified and resolved by conducting periodic reviews of vouchers for fee withholdings. The ACO may randomly select vouchers to determine if fees are withheld and paid in compliance with the contract schedule and/or applicable regulations stated in the contract. However, DCAA is responsible for random sampling of interim vouchers based on a risk assessment of the contractor to determine the sampling size and frequency.

3.3.3. Ensures that problems associated with the withholding requirements or cost controls for T&M/LH contracts are promptly identified by conducting periodic reviews of vouchers for withholdings commensurate with performance risk.

3.3.4. Shall obtain business system status updates and related concerns regularly from the divisional administrative contracting officer (DACO), corporate administrative contracting officer (CACO), and other ACOs. If necessary, the ACO shall request additional system reviews with focus on areas of concern.

3.3.5. Shall periodically obtain information on the contractor's financial condition from the DACO, CACO, contract auditor, and other ACOs. If necessary, the ACO should plan additional financial surveillance reviews based on the risk related to the conditions and concerns identified. The ACO may request that DCMA Financial Capability Group perform a postaward financial capability review. Requests should be sent to fincap@dcma.mil. It must include contractor name, commercial and government entity (CAGE) code, parent company (if known), company point of contact, dollar value of liquidated obligations for active (section 1) contracts, priority (routine or high-priority), known financial issues, and any other particular areas of concern, such as delivery or quality problems.

3.3.6. Shall perform the following prior to approving the final voucher:

3.3.6.1. Verify that (MOCAS) obligation records accurately reflect funding shown in the contract and any subsequent funding modifications. Contract obligation records are reconciled to the contract and funding modifications.

3.3.6.2. Verify that total amounts claimed for reimbursement represent allowable costs and fees in accordance with the contract FAR 52.216-7 (Reference *(p)*) and FAR 52.232-7 (Reference *(q)*).

3.3.6.3. Compare the total disbursements (MOCAS) with the contractor's previous paid amount stated on the final voucher. If the two match, the ACO can assume that the claimed amount is accurate and approve the final amount due. When discrepancies exist between the total (MOCAS) disbursed amount and contractor's claimed previous paid amounts, the ACO should prepare a request for contract reconciliation (DCMA Form 1797) and send to DFAS Reconciliation office or other disbursing office. The cumulative allowable cost worksheet (CACWS) is a summary schedule of cumulative allowable contractor costs for each flexibly priced contract through the last contractor fiscal year for which indirect cost rates have been settled. It contains sufficient details necessary to close contracts designated as physically complete in lieu of individual contract audit closing statements. The CACWS states the cumulative allowable costs from inception to date for each contract listed.

3.3.6.4. Ensure that all issues on suspended or disallowed costs are resolved (FAR 4.804-5(a)(7), Reference *(r)*).

3.3.6.5. Ensure that all closing documents received are in order and properly executed (FAR 4.804-5, Reference *(r)*). Particularly, ensure that the contractor has submitted a Release of Claims and Assignment of Refunds, Rebates and Credits, and that these documents are accurate. ~~These documents are not forwarded to the payment office. Electronic Document Workflow (EDW) is DCMA's official contract file for unclassified documents.~~ The audit report and release documents are scanned into ~~EDW~~ *the official records management system* and *are* not forwarded to the payment office. If the final voucher is for a credit amount, the contractor cannot submit it as a final voucher in the Automated Cash Collection System (ACCS). Therefore, for contracts in MOCAS, the contractor should submit its payment in ACCS as an interim voucher followed by a zero final voucher submitted in WAWF. The contractor must access the U.S. Department of Treasury Web site and register to use the ACCS. For classified contracts, the contractor submits an interim voucher and refund check due the Government to the ACO. The ACO then forwards the check to U.S. Department of Treasury.

3.3.6.6. Sign, date, and forward the final voucher to the payment office. ACO approval of a final voucher signifies that all administrative contract settlement actions are complete (FAR 52.216-7 (*Reference (p)*) and FAR 52.232-7 (Reference *(q)*).

3.3.7. Approve Canadian Commercial Corporation (CCC) interim PVs audited by the Public Works and Government Services Canada (PWGSC) and supported by invoices audited and certified by CCC in compliance with DFARS PGI 225.870-5(2)(i) (Reference *(s)*). These invoices and PVs are forwarded to ACO for approval and transmittal to the payment office.

3.3.8. Request audits from Consulting and Audit Canada (CAC), Ottawa, Ontario, Canada for Canadian firms with direct contracts. CAC/PWGSC approve interim vouchers/invoices provisionally for payments pending final audit at contract completion in compliance with DFARS PGI 225.870-5(2)(ii) (Reference *(s)*). These invoices and PVs are forwarded to ACO for transmittal to the payment office.

3.3.9. Approve both interim and final vouchers submitted to CMOs by foreign contractors located outside the continental United States (OCONUS) that are subject to memorandum of understanding (MOU) containing audit reciprocal agreements between the Department of Defense and its counterparts in the host foreign governments.

3.3.10. Perform the following special considerations for withholding requirements as listed below:

3.3.10.1. FAR 16.601(c)(1) (Reference *(t)*) time and materials contracts requires Government surveillance of contractor performance to give reasonable assurance that efficient methods and effective cost controls are being used. ACOs should request periodic audits of contractor's billings and periodic floor checks by the contract auditor. Audits should verify that costs are tracked to the appropriate project tasks, contract line item, cost incurred, and payment made during the funds appropriation period of availability.

3.3.10.2. FAR 52.232-7(a)(7) (Reference *(q)*), payments under T&M/LH contracts authorizes the ACO to unilaterally modify the contract to withhold up to 5 percent of the billing

amount (up to a maximum of \$50,000) from the contractor's billings for direct labor hours. Normally, there should be no need to withhold payment for a contractor with a record of timely submittal of an Assignment and Release of Claims (FAR 52.232-7(g), (Reference *(q)*)).

3.3.10.3. For orders placed under Basic Ordering Agreements (BOA) (FAR 16.703, (Reference *(u)*)), withhold requirements apply separately to each order under the BOA, since each order is a separate contract.

3.3.10.4. Cost-Plus-Fixed-Fee contract payments shall be made as specified in the contract schedule. Withholds shall be administered using the follow guidelines:

3.3.10.4.1. In accordance with FAR 52.216-8(b), (Reference *(v)*), fixed fee shall be paid as specified in the contract schedule and the ACO shall withhold no more than 15 percent of the contract total fixed fee or \$100,000, whichever is less, to protect the Government's interest. The ACO shall review the payment instructions and schedule for fee withhold instructions that may have been included in the contract by the PCO. If there are no instructions in the contract, the ACO has two options:

3.3.10.4.1.1. The ACO may withhold 15 percent of each fixed fee payment starting with the first payment (or no more than \$100,000 of the total fixed fee). All fixed fee amounts withheld should be paid after the contractor has completed all administrative requirements in addition to contract performance.

3.3.10.4.1.2. As an alternative, the ACO may elect to pay the contractor the full fixed fee requested at the beginning until the contractor has received 85 percent of the total fixed fee. All remaining fixed fee payment request amounts are withheld to retain 15 percent or no more than \$100,000 of the total fixed fee in compliance with FAR 52.216-8 (b) (Reference *(v)*).

3.3.10.4.2. The ACO shall release 75 percent of the fee being withheld when the contractor completes the following requirements:

- Submits all final vouchers for prior years settlements
- Submits adequate certified final indirect cost rate proposal for the year the contract was physically completed
- Submits final patent and royalty reports when required by contract
- Satisfies all other contract terms and conditions

3.3.10.4.3. The ACO may release up to 90 percent of the fee withheld based on contractor past performance history that demonstrates timely submission of proposals and settlement of final indirect cost rates. Examples of fee withholds:

3.3.10.4.3.1. If Total Fixed Fee is \$150,000:

Withhold: 15 percent x \$150,000 = \$22,500 (It is less than \$100,000 maximum)

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- If criteria in paragraph 3.3.10.4.2. is met, the ACO shall release 75 percent:

$$\$22,500 - (.75 \times \$22,500) = \$22,500 - \$16,875 = \$5,625 \text{ Withheld}$$
- If criteria in paragraph 3.3.10.4.3. is met, the ACO may release 90 percent:

$$\$22,500 - (.90 \times \$22,500) = \$22,500 - \$20,250 = \$2,250 \text{ Withheld}$$

3.3.10.4.3.2. If Total Fixed Fee is \$2,000,000:

Withhold: 15 percent x \$2,000,000 = \$300,000 (It is more than the \$100,000 maximum) = \$100,000 Withheld

- If criteria in paragraph 3.3.10.4.2 above is met, the ACO shall release 75 percent:

$$\$100,000 - (.75 \times \$100,000) = \$100,000 - \$75,000 = \$25,000 \text{ Withheld}$$
- If criteria in paragraph 3.3.10.4.3 above is met, the ACO may release 90 percent:

$$\$100,000 - (.90 \times \$100,000) = \$100,000 - \$90,000 = \$10,000 \text{ Withheld}$$

3.3.10.4.4. Contractor Business Systems disapprovals can result in payment withholds if the ACO identifies significant deficiencies in one or more systems in accordance with DFARS 252.242-7005(d) (Reference *(w)*). See DCMA-INST 131, “Contractor Business Systems” (Reference *(x)*).

3.3.11. Performs special considerations for Cost Plus Fixed Fee Contracts.

3.3.11.1. Cost Plus Fixed Fee contracts include two basic forms:

3.3.11.1.1. Completion Form (FAR 16.306(d)(1), (Reference *(y)*)). When the contractor completes performance within the estimated cost as a condition for payment of the entire fixed fee, the ACO shall pay the contractor the full fee. However, if the actual cost exceeds the estimated cost before accomplishing the goal or target, the Government may require more effort without increasing the fee, provided the Government increases the estimated cost.

3.3.11.1.2. Term Form (FAR 16.306(d)(2), (Reference *(y)*)). The ACO shall pay the contractor the fixed fee at the expiration of the agreed upon performance time period provided contractor submits a statement that the level of effort specified in the contract has been expended in performing the contract and the Government considers the contractor’s level of effort to be satisfactory. Renewal for further periods of performance is a new acquisition that requires new cost and fee arrangements.

3.3.12. Perform reviews of contractor appeals on auditor’s notice of contract costs suspended and/or disapproved.

3.3.12.1. If the contract auditor has issued a notice of contract costs suspended and/or disapproved and the contractor disagrees, the contractor may:

3.3.12.1.1. Submit a written request to the ACO to consider whether the unreimbursed costs should be paid and to discuss the findings with the contractor.

3.3.12.1.2. File a claim under the Disputes clause, which the ACO processes in accordance with the Disputes clause of the contract (FAR 52.233-1 (Reference *(z)*) and DCMA-INST 905, “Contract Claims and Disputes” (Reference *(aa)*))

3.3.12.1.3. The contractor may do both actions identified in paragraphs 3.3.11.1.1. and 3.3.11.1.2.

3.3.12.2. When the ACO’s planned course of action is not consistent with the auditor’s recommendations, the level of review should be based on the amount of disputed costs identified by the auditor and should be as specified in DCMA-INST 134, “Boards of Review” (Reference *(ab)*). If the audit or DCAA Form 1, Notice of Contract Costs Suspended and/or Disapproved, is not specific, the ACO should consult with the auditor to determine the potential value of the disallowance.

3.3.13. Administer payment terms of Cost Plus Incentive Fee (CPIF) Contracts (FAR 16.304, (Reference *(ac)*)).

3.3.13.1. CPIF contracts as described by FAR 16.405-1 (Reference *(ad)*) should include the negotiated target cost, target fee, minimum fee, maximum fee, and a fee adjustment formula commonly referred to as a cost share ratio. If a high maximum fee is negotiated, the contract shall also provide for a low minimum fee that may be a zero or, in rare cases, a negative fee.

3.3.13.2. The Government shall pay the fee to the contractor as specified in the schedule. However, when the ACO determines performance or cost indicates that the contractor will not achieve target, the Government shall pay on the basis of an appropriate lesser fee. At the same time, when the contractor demonstrates that performance or cost clearly indicates that the contractor will earn a fee significantly above the target fee, the Government may, at the sole discretion of the ACO pay on the basis of an appropriate higher fee (FAR 52.216-10(c)(1) (Reference *(ae)*)).

3.3.13.2.1. Cost Over-Run. In situations where the contractor is experiencing cost growth (i.e., the contractor’s estimate at completion or the DCMA independent estimate at completion are above the target cost), the ACO should work with the auditor and pricing specialists to use the best estimate at completion available to determine the forecast cost over-run. Furthermore, the ACO should decrease the contractor’s target fee amount by applying the Government/contractor cost over-run shared ratio stated in the contract. The share ratio for cost over-run and under-run may be different. When total allowable cost is greater than the range of costs (maximum cost) within which the share ratio operates, the contractor is paid the maximum allowable cost authorized, plus the minimum fee in accordance with FAR 16.405-1 (Reference *(ad)*). Training on CPIF contracts, examples, and tools for determining the impact of cost over-run on fee can be found on this Instruction’s resource web page under the Tools and Additional Guidance section.

3.3.13.2.2. Cost Under-Run. In situations where the contractor is experiencing cost reduction below the target cost (i.e., the contractor's estimate at completion or the DCMA independent estimate at completion are below the target cost), the ACO should increase the target fee amount by applying the Government/contractor cost under-run share ratio stated in the contract. When total allowable cost is less than the range of costs (minimum cost) within which the share ratio operates, the contractor is paid total allowable actual costs, plus the maximum fee in accordance with FAR 16.405-1 (Reference *(ad)*). Training on CPIF contracts, examples, and tools for determining the impact of cost under-run on fee can be found on this Instruction's resource web page under the Tools and Additional Guidance section.

3.3.13.3. Fee Withhold. The ACO shall pay incentive fee according to the schedule; provided a withhold reserve not to exceed 15 percent of the total incentive fee or \$100,000, whichever is less, is maintained to protect the Government interest. The ACO shall release 75 percent of all fee withholds under the contract after receipt of an adequate certified final indirect cost rate proposal covering the year of physical completion of this contract and the contractor has satisfied all other contract terms and conditions. Furthermore, the contractor must have submitted final vouchers for prior years. The ACO may release up to 90 percent of the fee withholds under this contract based on contractor's timely submission and settlement of final indirect cost rate proposals (FAR 52.216-10(c) (Reference *(ae)*)).

3.3.13.4. Payment Reviews. As part of the payment reviews, the ACO should work with the DCMA program integrator and Earned Value Management System (EVMS) specialist to ensure that the results of the EVMS and cost performance report reviews are considered for contracts experiencing cost over-runs. In compliance with FAR 52.232-20 Limitation of Cost (Reference *(n)*), contractor shall notify the ACO in writing 60 days in advance whenever costs is expected to exceed 75 percent of the estimated cost specified in the schedule or total contract performance cost will be greater or substantially less than had been previously estimated. The ACO should periodically (quarterly or semi-annually) review the contractor's fee billings and ensure that the billings are calculated based upon a reasonable projection of contract performance total estimated cost. The ACO should take the appropriate action to adjust fee payments by applying the Government/contractor (under-run or over-run) cost share ratio based on the contract estimated cost at completion. Training on CPIF contracts can be found on this Instruction's resource web page under the Tools and Additional Guidance section. The CPIF payment calculation and analysis tool located on this Instruction's resource page should be used by ACOs and CAs.

3.3.13.5. After contract performance, the ACO/contract auditor shall ensure that the fee payable to the contractor is determined in accordance with the negotiated cost share ratio.

3.4. CONTRACT AUDITOR.

3.4.1. The contract auditor may be from DCAA or local Host Contract Administration Services Audit Authority for DCMA International locations. The contract auditor is the authorized representative of the ACO as stated in DFARS 242.803 (Reference *(af)*) for the following actions:

3.4.1.1. Receiving, reviewing, and approving interim vouchers including interim vouchers for T&M/LH contracts. Interim vouchers will be received and either: (a) approved for payment and forwarded to the disbursing officer or (b) returned to the contractor for correction within 5 working days after receipt. The auditor's review of the interim voucher does not constitute an audit. Its purpose is to verify that the amounts claimed are not in excess of that which is due the contractor in accordance with the terms of the contract. See DCAA Contract Audit Manual (CAM) 6-1008 (Reference *(ag)*). DCAA interim public voucher review is limited to assuring the claimed cost does not exceed contract ceiling, funding limitations, or precluded by contract terms. DCAA does not determine FAR cost allowability during interim public voucher review. Contract cost incurred issues are resolved during overhead and direct cost audits.

3.4.1.2. Reviewing final/completion vouchers when requested by the ACO for contracts rated high risk (e.g., contractor business systems deficiencies, unsettled disallowances, defective pricing issues). The contractor may include the CACWS as an attachment to their Fiscal Year Incurred Cost submission. The CACWS is equivalent to a final voucher review and includes a listing of individual contracts and cumulative costs incurred to date by each contract. It does not include profit. Funding limitations and cost ceiling must be considered when reviewing the CACWS to ensure that cumulative costs billed do not exceed the total estimated ceiling costs and/or current contract maximum funding level. The CACWS shall be updated by the contractor following an agreement on rates. It is normally attached to the audit report along with the signed rate agreement letter.

3.4.1.3. Executing a sampling technique to select vouchers for review. The elements reviewed and number of sample vouchers selected will be based on related financial risk factors. The sampling plan should be documented and updated annually. See DCAA Contract Audit Manual (CAM), *paragraph* 6-1008 (Reference *(ag)*) for additional details.

3.4.1.4. Issuing DCAA Form 1 to deduct costs where allowability is questionable. Also, the ACO may issue or direct the issuance of a DCAA Form 1 (DFARS 242.803 (Reference *(af)*)).

3.4.2. The contract auditor performs a limited role in the PV process. The contract auditor should not:

- Administer limitation of cost or funds requirements
- Make judgments on fee issues
- Approve final/completion vouchers
- Make decisions regarding appeals on the notice of contract costs suspended and/or disapproved

3.4.3. For international CMOs supported by a local Host Contract Administration Services Audit Authority, applicable international agreements determine the specific role of the contract auditor. See FAR 1.405, Deviations Pertaining to Treaties and Executive Agreements (Reference *(ah)*) for additional information. DFARS 225.872-6 (Reference *(ai)*) provides guidance for requesting audit support from qualifying countries and the United Kingdom. There are 29 countries with MOUs with the United States. A link to these MOUs can be found on the resource page. Some MOUs have reciprocal agreements covering host country auditor support

which require the ACO to provisionally approve interim vouchers. Because these agreements can change without notice, it is necessary for the ACO to review these agreements periodically. Where DCAA has audit presence and access to contractor's records in an OCONUS environment, DCAA auditors provisionally approve interim vouchers.

3.4.4. When DCMA performs contract administration in Canada, follow the cost-reimbursement type contracts procedures stated in DFARS PGI 225.870-5 (Reference *(s)*).

3.4.5. The contract auditor shall communicate to the ACO risks identified that affect the effectiveness of the contractor's billing system. DCAA CAM, *paragraph* 6-1007 (Reference *(aj)*) provides guidance to the auditor for contractor submission of PVs.

3.5. DCMA CONTRACT MANAGEMENT TEAM (CMT). The CMT of functional specialists should:

3.5.1. Track and evaluate the contractor's business systems and processes that affect contract cost, schedule, performance, and billing.

3.5.2. ~~As a minimum,~~ The ACOs, DACOs, and other support functional specialists shall monitor and share information in their area of responsibility as it relates to:

- Past performance
- Audit reports
- Contractor financial condition
- Notices of contract costs suspensions or disapprovals
- Status of Contractor Business Systems:
 - Accounting System (DFARS 252.242-7006; Reference *(ak)*)
 - Material Management and Accounting System (DFARS 252.242-7004; Reference *(al)*)
 - Property System (DFARS 252.245-7003; Reference *(am)*)
 - Purchasing System (DFARS 252.244-7001; Reference *(an)*)
 - Earned Value Management System (DFARS 252.234-7002; Reference *(ao)*)
 - Estimating System (DFARS 252.215-7002; Reference *(ap)*)

3.5.3. During contract closeout, an ACO team may conduct reviews of *the* final voucher when the following conditions exist:

- ACO rates contractor risk as low
- CACWS has not been prepared ~~subcontractor cost have been settled~~
- ***Subcontractor costs have been settled***
- Contractor's accounting and purchasing systems are approved (or deficiencies do not impact final voucher)
- No unsettled disallowances
- No outstanding legal actions
- No open insurance claims
- No defective pricing issues

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- No pending Armed Services Board of Contract Appeals cases
- Unresolved issues affecting the contract and indirect rates or quick closeout rates have been established for all years covered by the contract period of performance

3.5.4. The Final Voucher Review Steps document is listed on the resource page under Tools and Additional Guidance.

GLOSSARY

DEFINITIONS

Basic Ordering Agreement. A basic ordering agreement is a written instrument of understanding (not a contract), negotiated between an agency, contracting activity, or contracting office and a contractor, that contains: terms and clauses applying to future contracts (orders) between the parties during its term, description of supplies or services to be provided, and methods for pricing, issuing, and delivering future orders.

Business Systems Reviews. See DCMA-INST 131, “Contractor Business Systems” (Reference (v)) for guidance. Business system reviews involve the appropriate CACO, DACO or ACO in consultation with the functional specialist or auditor evaluating the acceptability of the Contractor’s business systems in accordance with the criteria stated in the applicable business system clause. The contractor business systems and reference containing system criteria are as follows: accounting system (DFARS 252.242-7006 (c) (Reference *(ak)*), earned value management system (DFARS 252.234-7002(b) (Reference *(ao)*), estimating system (DFARS 252.215-7002 (d) (Reference *(ap)*), material management and accounting (DFARS 252.242-7004 (d) (Reference *(al)*), property management system (*DFARS 252.245-7003; Reference (am)*), and purchasing system (DFARS 252.244-7001(c) (Reference *(an)*).

Cost Reimbursement Type Contract. See FMR Vol 10, Chap 10, Sec 100302 (*Reference (f)*). 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 costs 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.

Cost Plus Fixed Fee Contract. A cost-plus-fixed-fee contract is a cost-reimbursement contract that provides for payment to the contractor of a negotiated fee that is fixed at the inception of the contract. The fixed fee does not vary with actual cost, but may be adjusted as a result of changes in the work to be performed under the contract. This contract type permits contracting for efforts that might otherwise present too great a risk to contractors, but it provides the contractor only a minimum incentive to control costs.

Cost Plus Incentive Fee Contract. The cost-plus-incentive-fee contract is a cost-reimbursement contract that provides for the initially negotiated fee to be adjusted later by a formula based on the relationship of total allowable costs to total target costs. This contract type specifies a target cost, a target fee, minimum and maximum fees, and a fee adjustment formula. After contract performance, the fee payable to the contractor is determined in accordance with the formula. The formula provides, within limits, for increases in fee above target fee when total allowable costs are less than target costs, and decreases in fee below target fee when total allowable costs exceed target costs. This increase or decrease is intended to provide an incentive for the contractor to manage the contract effectively. When total allowable cost is greater than or less than the range of costs within which the fee-adjustment formula operates, the contractor is paid total allowable costs, plus the minimum or maximum fee.

Cost Plus Award Fee Contract. A cost-plus-award-fee contract is a cost-reimbursement contract that provides for a fee consisting of a base amount (which may be zero) fixed at inception of the contract and an award amount, based upon a judgmental evaluation by the Government, sufficient to provide motivation for excellence in contract performance.

Cumulative Allowable Cost Worksheet. The CACWS is a summary schedule of cumulative allowable contractor costs for each flexibly priced contract through the last contractor fiscal year for which indirect cost rates have been settled. It contains sufficient details necessary to close contracts designated as physically complete in lieu of individual contract audit closing statements.

Final Voucher. In accordance with FAR 42.705(b) (Reference *(aq)*) and FAR 52.216-7(d)(5) (Reference *(p)*), within 120 days after settlement of the final annual indirect cost rates for all years of performance on a physically complete contract, the contractor must submit a final (completion) voucher reflecting the settled amounts and rates that include consideration of the provisionally-approved interim vouchers. This last voucher should include all contract reserves, allowable cost withholdings, balance of fixed fee, etc. However, the amount of the final voucher when added to the total amount previously paid cannot exceed the total amount of the contract.

Interim Public Voucher. Interim Public Voucher refers to all vouchers submitted by the contractor with the exception of the final voucher.

Invoice. An invoice, as defined by FAR 2.101 (Reference *(ar)*), is a contractor's bill or written request for payment under the contract for supplies delivered or services performed.

Labor Hour Contract. A labor-hour contract is a variation of the time-and-materials contract, differing only in that materials are not supplied by the contractor.

Notice Of Contract Costs Suspended And/Or Disapproved (DCAA Form 1). ~~See DCMA-INST 128, "Disallowance of Cost" (Reference *(au)* (*as*)) for details.~~ DCAA has primary responsibility for approving interim vouchers for provisional payment (this includes approving the fee portion of vouchers in accordance with the contract schedule and ACO instructions) and sending them to DFAS or other payment office. As part of that **responsibility obligation**, DCAA is responsible for issuing DCAA Form 1, Notice of Contract Costs Suspended and/or Disapproved when allowability of the costs billed in the interim vouchers is questionable pursuant to DFARS 242.803-(Reference *(af)*). *The ACO also has the authority to issue a DCAA Form 1. An ACO may issue or direct the issuance of a DCAA Form 1 on any cost when there is a reason to believe it should be suspended or disallowed. See DCMA-INST 128, "Disallowance of Cost" (Reference *(as)*) for details.*

Public Voucher (SF 1034). Used by contractor performing cost-reimbursement contracts to request payment for items and services other than personal.

Receiving Report. A receiving report is written evidence that indicates Government acceptance of supplies delivered or services performed.

Time and Materials Contract. A time-and-materials contract provides for acquiring supplies or services on the basis of direct labor hours at specified fixed hourly rates that include wages, overhead, general and administrative expenses, and profit; and actual cost for materials unless an exception at FAR 31.205-26(e) and (f) (Reference *(at)*) applies.

Trusted Agent. Trusted Agents are individuals with extensive MOCAS knowledge who have completed trusted agent training and granted expanded capabilities to correct MOCAS database input errors.

GLOSSARY**ACRONYMS**

ACO	administrative contracting officer
ACCS	automated cash collection system
BOA	basic ordering agreement
BVN	bureau voucher number
CA	contract administrator
CAC	Consulting and Audit Canada
CACO	corporate administrative contracting officer
CACWS	cumulative allowable cost worksheet
CAM	Contract Audit Manual
CCC	Canadian Commercial Corporation
CLIN	contract line item number
CMO	contract management office
CMT	contract management team
COR	contracting officer representative
CPIF	e cost plus incentive fee
DACO	divisional administrative contracting officer
DCAA	Defense Contract Audit Agency
DCMA-INST	DCMA Instruction
DFARS	Defense Federal Acquisition Regulation Supplement
DFAS	Defense Finance and Accounting Services
DoDD	DoD Directive
EDA	Electronic Document Access
EDW	Electronic Document Workflow
EVMS	Earned Value Management System
FAR	Federal Acquisition Regulation
FMR	Financial Management Regulation
MOCAS	Mechanization of Contract Administration Services
MOU	memorandum of understanding
OCONUS	outside the Continental United States
PCO	procuring contracting officer
PGI	Procedures, Guidance, and Information
PLAS	Performance Labor Accounting System
PV	public voucher
PWGSC	Public Works and Government Services Canada

T&M/LH time and material/labor hour

WAWF Wide Area Workflow