



DEPARTMENT OF DEFENSE  
Defense Contract Management Agency

## INSTRUCTION

### General Payment Support

Contracts Directorate  
OPR: DCMA-AQ

DCMA-INST 136  
September 24, 2014

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**SUMMARY OF CHANGES.** *Updates the Applicability Statement on page 1. Revises language at paragraphs 3.1.1.3 and 3.1.1.3.1 to update verbiage from Central Contractor Registration (CCR) to System for Award Management (SAM). Deletes NOTE at paragraph 3.1.1.3 since CCR is no longer utilized. At paragraph 3.3.1.4.2. adds language of who to submit the “A-List” to. Adds paragraph 3.4.3, Invoicing in a Contingency Environment in accordance with paragraph 3.2 of DCMA-INST 1202. Deletes Appendix A. Process Flowchart and moves the process flowchart to the policy resource Web page. Adds contingency environment verbiage.*

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**1. PURPOSE.** This Instruction:

- a. ~~Updates and reissues~~ **Revises** DCMA Instruction (DCMA-INST) 136 “General Payment Support” (Reference (a)).
- b. Establishes policy and assigns roles and responsibilities for General Payment Support.
- c. Complies with DoD Directive (DoDD) 5105.64 **“Defense Contract Management Agency (DCMA)”** (Reference (b)).

**2. APPLICABILITY.** *This Instruction applies to all DCMA activities that prepare, manage, review, validate, approve, and use DCMA policies. This Instruction applies to all DCMA organizations that support supply chain predictability activities unless higher level regulations, policy, guidance, waiver, or agreements take precedence (e.g., DCMA International and Special Programs activities).*

**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 (c)). The process flowchart is located ~~at Appendix A~~ **on the policy resource Web page for this Instruction.**

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

**5. RESOURCE PAGE.** <https://home.dcm.mil/policy/136r>

**6. PLAS CODES.**

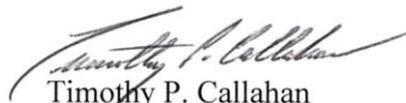
a. Process Code 150 – General Payment Support or one of the following for the process associated with the payment type:

- 141 – Public Vouchers
- 143 – Advance Payments
- 145 – Progress Payment Based on Costs
- 147 – Performance-Based Payments

b. Programs: ACAT/Other Customers (when applicable).

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

**7. EFFECTIVE DATE.** By order of the Director, DCMA, this Instruction is effective September 24, 2014, and all applicable activities shall be fully compliant within 60 days from this date.



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## REFERENCES

- (a) DCMA-INST 136, "General Payment Support," August 6, 2013 (hereby canceled)
- (b) DoDD 5105.64, "Defense Contract Management Agency (DCMA)," January 10, 2013
- (c) DCMA-INST 710, "Managers Internal Control Program," **April 21, 2014**
- (d) FAR 52.232-23, Assignment of Claims
- (e) **DFARS 252.232-7008, Assignment of Claims (Overseas)**
- (f) FAR 32.805, Procedure
- (g) DFARS 232.805, Procedure
- (h) FAR 52.232-24, Prohibition of Assignment of Claims
- (i) FAR 32.805(d), **Examination by the Government**
- (j) FAR 4.1102(c)(3), **Policy**
- (k) FAR 52.232-33, Payment by Electronic Funds Transfer-**System for Award Management**
- (l) FAR 52.232-34, Payment by Electronic Funds Transfer-Other Than **System for Award Management**
- (m) DFARS 232.805(b)(i), **Procedure**
- (n) DFARS 232.8, Assignment of Claims
- (o) DFARS 232.805(b)(i)(D), **Procedure**
- (p) FAR 32.805(e), Release of Assignment
- (q) FAR 52.216-7, Allowable Cost and Payment
- (r) Section 3903 of title 31, United States Code, Prompt Payment Act of 1997
- (s) DoD Financial Management Regulation, Volume 10, Chapter 7
- (t) Part 1315 of title 5, Code of Federal Regulations
- (u) FAR 52.232-25, Prompt Payment
- (v) DFARS 232.906(a)(ii), Making Payments
- (w) FAR 32.909, Contractor Inquiries
- (x) FAR 42.302(a)(12), Contract Administration Functions
- (y) DFARS 242.302(a)(12), Contract Administration Functions
- (z) DFARS 242.803(b), **Auditor receipt of voucher**
- (aa) DCMA-INST 106 "Public Vouchers," July 31, 2013
- (ab) **DCMA-INST 112, "Canceling Funds," August 20, 2013**
- (ac) DFARS 252.246-7000, Material Inspection and Receiving Reports
- (ad) DFARS 232.7002, **Policy**
- (ae) MOCAS Manual, Part 1, Chapter 10, Material Acceptance Processing DD Form 250 Procedures
- (af) DFARS 232.70, Electronic Submission and Processing of Payment Requests and Receiving Reports
- (ag) FAR 42.302(a)(61), **Contract administration functions**
- (ah) Section 2533a of title 10, United States Code, Berry Amendment
- (ai) DFARS Appendix F, F-301(b)(15)(iv)(G), **Preparation instructions**
- ~~(ah) Part 135315 of title 5, Code of Federal Regulations, Prompt Payment Act~~
- (aj) DCMA-INST 102, "Progress Payments Based on Cost," **August 20, 2013**
- (ak) DCMA-INST 116, "Performance-Based Payments," June 12, 2013
- (al) DFARS 252.242-7005, Contractor Business Systems
- (am) DCMA-INST 131, "Contractor Business Systems," **November 6, 2013**
- (an) DFARS 252.204-7002, Payment of Subline Items Not Separately Priced

- (ao) DFARS 252.227-7030, Technical Data – Withholding of Payment
- ~~(ap) Part 1353.10(c) of title 5, Code of Federal Regulations, Penalties Not Due~~
- (ap) FAR 32.905(c), Payment Documentation and Process
- (aq) FAR ~~32.905(e)~~, *Payment documentation and process*
- (ar) FAR 52.219-8, Utilization of Small Business Concerns
- ~~(ast) MOCAS Manual, Part 2, Chapter 2, Contractor Financing – Performance Based  
Payments, Commercial Item Financing and Progress Payment Processing~~
- (as) *FAR 4.803(b), Contract Administration Office Contract File*
- (at) *DCMA-INST 809, “Records Management,” May 1, 2011*

## CHAPTER 1

### POLICY

**1.1. POLICY.** It is DCMA policy to:

1.1.1. Receive an assignment of claims for money due under a contract only from a bank, trust company, or other financial institution, including any Federal lending agency.

1.1.2. Facilitate payment of invoices in accordance with applicable payment clauses.

1.1.3. Make contract payments on a timely basis.

**NOTE 1:** Prohibit the entering of data from classified contracts into any unclassified system (e.g., Mechanization of Contract Administration Services (MOCAS) and Wide Area Workflow (WAWF)).

**NOTE 2:** *In a contingency environment, Theater Wide Contract Administration (TWCA) awarded to a local vendor is performed outside of MOCAS and contract payments are done manually from the local payment office or local DFAS Liaison office (other than DFAS Columbus).*

## CHAPTER 2

### RESPONSIBILITIES

**2.1. ADMINISTRATIVE CONTRACTING OFFICER (ACO).** The ACO shall review the contractor's request for an Assignment of Claims. In addition, the ACO, *when delegated*, approves the contractor's payment requests and final cost vouchers.

*2.1.1. In a contingency environment, the TWCA ACO shall review and process contract payments directly to the local payment office or local DFAS Liaison office (other than DFAS Columbus) via email. The ACO shall follow locally established Contracting Command Acquisition Instructions and DCMA Theater guidance concerning contract specific payment instructions.*

**2.2. LEGAL COUNSEL.** Legal counsel shall review the Assignment of Claims documents; *especially regarding the format and language for legal sufficiency.*

**2.3. CONTRACTS DIRECTORS.** The Contract Management Office (CMO) Contracts Director provides written concurrence prior to the ACO submitting a request for early release from cash management to Defense Finance and Accounting Services (DFAS).

**2.4. CMO DD FORM 250 INPUT PERSONNEL.** CMO DD Form 250 Input Personnel shall review receiving reports on a daily basis to identify the reports that did not process in MOCAS.

## CHAPTER 3 PROCEDURES

### 3.1. ASSIGNMENT OF CLAIMS – REVIEW, PROCESS, AND RELEASE.

3.1.1. Review Assignment of Claims Documents. The ACO shall ensure Federal Acquisition Regulation (FAR) 52.232-23, Assignment of Claims (Reference (d)), is included in the contract. *When contract performance will be in a foreign country, use DFARS 252.232-7008, Assignment of Claims (Overseas) (Reference (e))*. The aggregate amount due must total \$1,000 or more in order to process the assignment of claims. FAR 32.805 (Reference (f)), and Defense Federal Acquisition Regulation Supplement (DFARS) 232.805 (Reference (g)), provide specific procedures for Assignment of Claims and identify specific documents that must be submitted to the ACO.

**NOTE:** If FAR 52.232-24, Prohibition of Assignment of Claims (Reference (h)), is included in the contract, the contractor is prohibited from requesting an assignment of claims.

3.1.1.1. In order to protect the Government's interest, the ACO shall review Assignment of Claims in accordance with FAR 32.805(d) (Reference (i)), and DFARS 232.805 (Reference (g)).

3.1.1.2. ACOs shall obtain legal counsel review of the Assignment of Claims documents, *especially regarding the format and language for legal sufficiency*.

3.1.1.3. FAR 4.1102(c)(3) (Reference (j)), requires assignees to be separately registered in the ~~Central Contractor Registration (CCR)~~ *System for Award Management (SAM)* database.

~~**NOTE:** The information previously maintained in CCR is now contained within the Entity Management area in the System for Award Management (SAM). SAM is merging nine legacy systems into one. The FAR, DFARS, and DFARS Procedures, Guidance and Information (PGI) are being updated to reflect SAM instead of the specific legacy systems' names and processes.~~

3.1.1.3.1. When a contract contains FAR 52.232-33, Payment by Electronic Funds Transfer – ~~Central Contractor Registration System for Award Management~~ (Reference (k)), or FAR 52.232-34, Payment by Electronic Funds Transfer – Other Than ~~Central Contractor Registration System for Award Management~~ (Reference (l)) or the equivalent (~~Reference (k)~~), the ACO shall ensure the financial institution identified in the assignment is registered for Electronic Funds Transfer (EFT).

3.1.1.3.2. To ensure that the assignee is paid using EFT, ACOs must require the financial institution to complete and submit an Standard Form (SF) 3881, *Automated Clearing House* (ACH) Vendor/Miscellaneous Payment Enrollment Form, with the Assignment of Claims. The ACO shall then forward the SF 3881 to the DFAS Columbus. For contracts administered and paid using MOCAS system, DFAS Columbus is responsible for inputting the

appropriate MOCAS R9 remark (50 – when assignment is processed, and 51 – when assignment is released).

***3.1.1.4. In a contingency environment, local vendors will register in the database designated by the local Contracting Command.***

3.1.2. Process Assignment of Claims. After reviewing the assignment documents ***and obtaining legal sufficiency review***, the ACO shall:

3.1.2.1. Acknowledge receipt by signing and dating all copies of the Notice of Assignment (NoA) (DFARS 232.805(b)(i) (Reference (***m***))).

3.1.2.2. Forward copies of Assignment of Claims documents in accordance with DFARS 232.8 (Reference (***n***)).

3.1.2.3. Notify the Procuring Contracting Officer (PCO) of the assignment (DFARS 232.805(b)(i)(D) (Reference (***o***))).

3.1.2.4. Notify the payment office of the NoA. For DFAS Columbus contracts, send an email to CCO-CONT-PAY-NOA-ROA@DFAS.mil. ACOs shall notify the payment office within 2 business days after receiving a NoA. A read receipt is required to ensure the payment office acknowledges receipt.

***3.1.2.5. If the contractor or assignee inquires regarding the status of an assignment of claims that is under review, do not respond by simply acknowledging receipt without specifying that it is under review and not yet accepted. Simple acknowledgement may trigger the assignee's entitlement to payment although the assignment package may yet be defective.***

3.1.3. Release Assignment of Claims. The ACO should advise the contractor to inform the ACO when changes to the Assignment occur. FAR 32.805(e) (Reference (***p***)), provides a list of circumstances when a release of assignment is required. Paragraph (h)(2)(ii) of FAR 52.216-7, Allowable Cost and Payment (Reference (***q***)), requires the contractor and each assignee whose assignment is in effect at the time of final payment execute and deliver a release discharging the Government, its officers, agents, and employees from all liabilities, obligations, and claims arising out of or under the contract.

**3.2. CASH MANAGEMENT.** The Prompt Payment Act of 1997 (section 3903 of title 31, United States Code) (Reference (***r***)), requires the Government to make payments in a timely manner; not early, not late, and requires the cash management of invoices (DoD Financial Management Regulation Volume 10, Chapter 7 (Reference (***s***))). Payment must be made 30 days after a valid invoice is received, or by the payment date established in the contract. Otherwise, interest penalties will accrue. Public Vouchers are not subject to Cash Management. In addition, the Act requires agencies to effectively manage invoices, and allows an agency to make payment up to 7 days prior to the required payment date, or earlier, as determined by the agency on a case-by-case basis. Implementing regulations are found at part 1315 of title 5, Code of Federal Regulations (Reference (***t***)) and FAR 52.232-25, Prompt Payment (Reference (***u***)).

~~**NOTE:** DFAS is currently updating its systems to make payments based on the contract terms. Payments will be made by the due dates specified by the contract payment terms as long as each invoice is accompanied by proper documentation. DoD will continue efforts to accelerate payments to small business contractors.~~

### 3.2.1. Early Release From Cash Management.

3.2.1.1. When the application of DoD's cash management policy for a particular payment impairs the performance of a financially vulnerable contractor, the contractor may request the ACO authorize early payment (also known as early release from cash management or waiver of cash management). The ACO shall promptly review the contractor's request to determine if early release is warranted and weigh the benefits of making early payment. DFAS retains final approving authority for authorizing early payment.

3.2.1.2. When the ACO determines that early release from cash management is appropriate for an individual payment, the ACO shall obtain CMO Contracts Director written concurrence prior to submitting the request to DFAS . The ACO shall send approved requests for early release from cash management to the cognizant DFAS Contract Payment Customer Service Branch Chief detailing the reason for early release. DFAS Customer Service Branch Chief contact information may be found at Step 2 of the DFAS Order of Escalation document (*located on resource Web page of this Instruction*).

**NOTE 1:** Small businesses concerns (identified as Type Contractor Code A on the MOCAS Master Address File) are exempt from the requirements of Cash Management (reference DFARS 232.906(a)(ii) Reference (*v*)).

**NOTE 2:** Contract financing requests, termination for convenience/default, economic price adjustments, refunds, settlement agreements, etc., are not subject to cash management.

**3.3. FACILITATING PAYMENT *OF* INVOICES.** While DFAS makes payments, DCMA ACOs review and approve contractor's financing requests and final cost vouchers as well as perform payment administration in accordance with applicable contract payment clauses (FAR 32.909 (*Reference (w)*), FAR 42.302(a)(12) (*Reference (x)*), and DFARS 242.302(a)(12) (*Reference (y)*). (~~References (v), (w), and (x)~~). Defense Contract Audit Agency (DCAA) approves interim vouchers for provisional payment (DFARS 242.803(b) (Reference (*z*)) and DCMA-INST 106, "Public Vouchers" (Reference (*aa*)). Except as follows, all payment problems shall be referred to DFAS Customer Service. ACOs should only become involved in payment issues if delay in payment:

- Will impact a contractor's ability to execute the contract
- Will endanger funds at risk for cancellation (*DCMA-INST 112, "Canceling Funds" (Reference (ab))*)
- Is due to a contract structure or contract provision issue
- Is due to DCMA's failure to process a receiving report
- Is related to a contractor's financing payment request or final voucher

**NOTE 1:** DCMA has established an initiative to share MOCAS data with participating contractors through the MOCAS Data Sharing Initiative (MDSI). This allows MOCAS data to be extracted from the Shared Data Warehouse through regularly scheduled data queries. The data extract is moved to a secure file transfer protocol server where the contractor may access their individual files.

**NOTE 2:** DCMA and DFAS Columbus share in the operation and use of the MOCAS system. Except for Other Disbursing Office (ODO) contracts, DFAS Columbus is responsible for paying contracts administered by DCMA.

**NOTE 3:** DCMA and DFAS Columbus entered into a Partnership/Agreement to jointly manage the contract payment process. Payment interaction between DCMA and DFAS Columbus occurs in the areas of MOCAS data integrity, payment processing, acceptance or approval of payment requests, and resolution of payment problems.

3.3.1. Material Inspection and Receiving Report (MIRR) (DD Form 250). For contracts with receiving report requirements (DFARS 252.246-7000 (Reference (*ac*))), payment cannot be made until goods and services have been accepted and a record of the acceptance is received by the payment office.

3.3.1.1. For contracts that have inspection and acceptance identified as source or origin, the DCMA Quality Assurance Representative accepts the material or services after executing their surveillance requirements by signing the paper copy for the DD Form 250 or digitally signing the Wide Area Workflow Receiving Report (WAWF-RR), as applicable. Contractors shall submit payment request and receiving reports in electronic form. WAWF is the accepted electronic method for the submission of payment requests and receiving reports. Exceptions to the requirement for electronic submission are outlined in DFARS 232.7002 (Reference (*ad*)).

3.3.1.1.1. The DD Form 250 or WAWF-RR must be signed, received, and processed in MOCAS before payment can be made on the corresponding invoice. There may be times when the CMO needs to take action on a receiving report in order to facilitate timely payment to contractors, minimize Prompt Payment interest and penalties, and enable contract closeout (MOCAS Manual, Part 1, Chapter 10, Material Acceptance Processing DD Form 250 Procedures, (Reference (*ae*))).

3.3.1.2. DCMA is responsible for inputting and processing all receiving reports (DD Form 250s) in MOCAS, whether submitted in WAWF or in paper copy, including receiving reports for ODO contracts. This includes inputting both shipment and acceptance data, with the exception of receiving reports accepted at destination. DCMA is responsible for inputting the shipment information for receiving reports acceptance at destination and DFAS Columbus Contract Pay is responsible for obtaining destination acceptance documentation and inputting it in MOCAS.

3.3.1.3. If DFAS Columbus is unable to pay an invoice because the CMO has not received the receiving report or the receiving report is recycling because it did not meet MOCAS

validation requirements, the DFAS Columbus accounts payable representative will often request ACO assistance in determining if DCMA will reject or process the receiving report. Timely action by all CMO personnel involved in processing receiving reports is necessary to prevent payment delays and accrual of prompt payment penalties.

3.3.1.4. Processing Receiving Reports. Contractors must submit receiving reports (DD Form 250) in electronic form via WAWF although there are some exceptions (DFARS 252.232.7003, Reference (af)). If those exceptions apply, CMO DD Form 250 Input Personnel shall ensure accurate input of paper submissions of receiving report (DD Form 250) data in MOCAS, normally within 24 hours of receipt.

3.3.1.4.1. Whether the receiving report data was submitted electronically through WAWF or in paper format, if the receiving report fails to process in MOCAS, the CMO must intervene. CMO DD Form 250 Input Personnel shall review the Rejected EDI Shipment Transactions Report (Reveal Report #UNMA010J) and the DD Form 250 Recycling Awaiting Actions Reports (Reveal Report #UNMC1401A) on a daily basis to identify receiving reports that did not process in MOCAS.

3.3.1.4.1.1. CMO DD Form 250 Input Personnel shall research all records appearing on the Rejected EDI Shipment Transactions Report (Reveal Report #UNMA010J) and the DD Forms 250 Recycling Awaiting Actions Report (Reveal Report #UNMC140A) on a daily basis. The CMO DD Form 250 Input Personnel initiate changes to the MOCAS database or returns the receiving report to the contractor for correction, preferably within 24 hours in order to avoid accruing interest charges. Recycle and rejection actions are necessary to reinforce the contractor's contractual responsibility to prepare and distribute conforming receiving reports and to motivate contractors to prepare proper receiving reports for future shipments.

***NOTE: In a contingency environment, local vendors may submit payment request and receiving reports using other than WAWF (DFARS 232.70, Electronic Submission and Processing of Payment Requests and Receiving Reports (Reference (af))).***

3.3.1.4.1.2. Amended Shipping Instructions (ASI). When a recycle action is due to an invalid shipment, and a copy of the ASI was received with the receiving report, the CMO DD Form 250 Input Personnel shall send a copy of the ASI to the ACO for action (e.g., issuance of a contract modification in accordance with FAR 42.302(a)(61) (Reference (ag)), or Trusted Agent Request for Action). PCOs may issue ASIs to contractors without preparing formal contract modifications. Therefore, for Free on Board (FOB) origin shipments, where there is no ASI modification, the ACO shall prepare a DLA Form 1797 for the Trusted Agent to enter the amended ship-to/mark-for codes into MOCAS in order to clear the recycle list entry. The ACO shall verify that the ASI is authentic and at no additional cost to the Government. Such verification may be performed by reviewing documentation received by the cognizant transportation officer or by contacting the PCO directly. For FOB destination shipments, where there is no ASI modification, the ACO shall contact the PCO; the PCO shall issue the necessary modification.

3.3.1.4.1.3. Erroneous Receiving Reports. When a recycle action is caused by an erroneous receiving report prepared by the contractor, CMO DD Form 250 Input Personnel shall fully reject the receiving report back to the contractor within 24 hours. CMO DD Form 250 Input Personnel shall remove the associated record from the DD Form 250 Recycling Awaiting Actions Report and notify DFAS Columbus of the rejection so they may reject the associated invoice.

3.3.1.4.2. Shipments with Missing Components. PCOs may authorize contractors to ship supplies with missing components. ~~DFAS Columbus is responsible for researching and processing receiving reports that indicate components are missing from a shipment and establishing controls to account for all missing components.~~ *For items shipped with missing components, the contractor should enter the following information on the DD Form 250: the NSN or comparable identification, quantity, estimated value, and authority.*

3.3.1.4.2.1. When components are missing from shipments as identified on a paper receiving report (DD Form 250), the CMO shall provide a copy of the DD Form 250 and the contracting officer authorization letter to DFAS Columbus Contract Pay - Accounts Payable. This will ensure that the voucher examiner at DFAS Columbus is aware that a shipment was made with missing components and they can withhold the estimated cost of missing components from the associated payment. ~~It must be~~ *The ACO shall* verify that the withheld funds are moved to the withhold line in lieu of a short pay from DFAS. When the missing components are shipped, funds previously withheld may be released for payment (see paragraph 3.3.1.4.2.2.3. of this Instruction for releasing previously withheld amounts).

3.3.1.4.2.2. When processing receiving reports for shipments with missing components in WAWF, CMO DD Form 250 Input Personnel shall follow the procedures as stated below. These procedures apply when processing a receiving report that includes a withhold for conditional acceptance (where items will be shipped, repaired, reworked, or replaced after acceptance) and do not replace or supersede any previous guidance provided for withholds related to section 2533a of title 10, United States Code, Berry Amendment (Reference (a*h*)) requirements.

3.3.1.4.2.2.1. Receiving Reports for Shipments with Missing Components:

3.3.1.4.2.2.1.1. Include Shipment Advice Code A. Code A indicates that the initial shipment involves missing components.

3.3.1.4.2.2.1.2. At the line item level, include the statement “Withhold Applied” along with the contract unit price and the total amount of all withholds applied to that unit price.

3.3.1.4.2.2.1.3. Either in the description field or as an attachment for each line item, include the reason for the withhold (e.g., Item shipped short the following components..., Waiver/Deviation number...), the withhold amount, and the authority for the withhold. The information at DFARS Appendix F, F-301(b)(15)(iv)(G) (Reference (a*i*)), is required for items shipped with missing components; however, where the estimated value is

different than the amount withheld, both the estimated value and the amount withheld must be provided.

3.3.1.4.2.2.1.4. If unit prices are included for Unique Identification purposes, include the contract unit price without withholds.

3.3.1.4.2.2.2. Invoices for Shipments with Missing Components:

3.3.1.4.2.2.2.1. The contractor shall bill the net of the contract unit price less any withholds. The contract shall include the words "Withhold Applied," at the line item level, show the contract unit price and the total amount of all withholds applied to the unit price. The ACO must ensure that funds are properly withheld.

3.3.1.4.2.2.2.2. The same description or attachment detailing the withhold(s) at a line item level included with the receiving report shall be included with the invoice.

3.3.1.4.2.2.3. Releasing Previously Withheld Amounts for Shipments with Missing Components. After contractual requirements have been satisfied, the ACO may authorize the release of previously withheld amounts. Delaying release of previously withheld amounts may cause funds to cancel or affect timely payment and contract closeout. When contractual requirements upon which the withhold is based are not satisfied, and the ACO has received authority from the PCO, the ACO shall issue a contract modification to adjust prices and deobligate associated funds and a rationale explaining the circumstances of the deobligation shall be included in the modification. Prior to issuing a deobligation modification, the ACO shall submit a DCMA Form 1797 to DFAS Columbus Contract Accounting Report (CAR) (see point of contact in the DFAS Order of Escalation document) requesting removal of previously withheld funds from the withhold line for the associated line item.

3.3.1.4.2.2.3.1. When authorized by the ACO, contractors may submit an invoice for previously withheld amounts. Withhold releases may be submitted directly in WAWF using the Invoice Only option.

3.3.1.4.2.2.3.2. An invoice for the release of a withhold must use a shipment number starting with WTH9 and the last three digits of the original shipment number.

3.3.1.4.2.2.3.3. The invoice must have the signed release from the contracting officer or authorized representative releasing the withhold attached to the invoice submission.

3.3.1.4.2.2.3.4. The invoice must identify the original shipment number where the release was taken, the Contract Line Item Numbers (CLIN) and the amount of the withhold being released.

3.3.1.4.2. CMO DD Form 250 Input Personnel shall research, annotate, and forward the Invoices Awaiting Origin/Plant DD Form 250 Report (F, M and Q Invoices) (also known as

the “A List”) (Reveal Report #UNMC01) or the Invoices Awaiting Origin/Plant DD Form 250 Report (Reveal Report #UYFD17) to the DFAS Columbus Payment and Research Division by noon each Wednesday. ~~A list of facsimile numbers for use in sending the annotated reports is posted on the DCMA DFAS Information Homepage.~~ **Submit the “A List” to the POCs listed on the resource Web page of this Instruction.** These reports contain a complete listing of “A” coded invoices (invoices at DFAS Columbus awaiting source acceptance DD Form 250) input. The reports are received in Reveal (Reveal East; Reveal West) on Mondays and on the last day of the month. It is important to review the reports in a timely manner due to requirements of part 1315 of title 5, Code of Federal Regulations, Prompt Payment Act (Reference (t)).

3.3.1.4.2.1. When a valid receiving report is on hand, CMO DD Form 250 Input Personnel shall expedite input of the receiving report (DD Form 250). DFAS will not reject a contractor’s invoice, due to lack of source receiving report (DD Form 250), without first checking with the applicable CMO to determine if the receiving report is:

- In recycle status
- Was received and is in a backlog status - awaiting initial input
- Was not received
- Was received but returned to the contractor for correction

3.3.1.4.2.2. DFAS will reject a contractor’s invoice if the CMO does not acknowledge that a valid receiving report is on hand or if the CMO reports that the receiving report was rejected. After the valid receiving report has been processed in MOCAS, indicating acceptance of the product or services has been entered, DFAS will take action to pay the associated invoice.

3.3.2. Payment Withholds. In addition to withholding payment for shipments with missing components (see paragraph 3.3.1.4.2.2.3. of this Instruction), some contract clauses authorize the ACO to temporarily withhold payment pending completion of certain contractual requirements (e.g., subline items not separately priced, technical data) or when it is necessary to protect the Government against potential risk of harm. ~~The withhold should represent a good-faith estimate sufficient to mitigate the Government’s risk and be in accordance with contractual payment withholding terms and conditions.~~ Since payment withholds may not apply to all types of contracts, it is important for the ACO to review the terms and conditions of contract clauses and understand the conditions for withholding payment.

3.3.2.1. Implementing Withholds. Generally, temporary payment withholds are implemented by issuing a unilateral modification against affected contracts. The modification must reference the specific contract clause that authorizes withholding of payments, indicate the effective date of the withhold, identify conditions of the withhold and any specific requirements for the contractor to follow, and identify any action required by the DFAS payment office. The ACO ensures that DCAA is provided a copy of the modification or withhold decision information is made available for processing of cost vouchers.

3.3.2.1.1. Withholds Against Progress Payments or Performance-Based Payments.

When processing a withhold against a request for progress payment or request for performance based payment, the ACO shall reduce the approved amount of the request and record the amount withheld, as well as the cumulative amount withheld to date, in the Comments block of the Miscellaneous Information tab in WAWF (See DCMA-INST 102, “Progress Payments Based on Cost” and DCMA-INST 116, “Performance-Based Payments” (References (aj) and (ak)).

3.3.2.1.1.1. When a business system is disapproved, DFARS 252.242-7005 (Reference (al)), requires the ACO to withhold payment against progress payments, performance-based payments and interim payments (see DCMA-INST 131, “Contractor Business Systems” (Reference (am)).

3.3.2.1.2. Withholds Against Cost Type Contracts. The ACO shall instruct the contractor to show the amount withheld on current billings, as well as the cumulative amount withheld to date for the specific contract.

3.3.2.1.3. Withholds for Subline Items Not Separately Priced (NSP). When contracts include DFARS 252.204-7002, Payment for Subline Items Not Separately Priced (Reference (an)), the ACO may implement a temporary payment withhold until all NSP items are delivered. When implementing the withhold, the ACO shall send a DCMA Form 1797 to the CMO Trusted Agent requesting entry of a code “A” in the Withholding Code field for the specific Supply Line Item Record in MOCAS.

3.3.2.1.4. Withholds for Receipt of Deficient Technical Data. When contracts include DFARS 252.227-7030, Technical Data - Withholding of Payment (Reference (ao)), and the contractor has delayed submitting required technical data or has submitted deficient technical data, the ACO may implement a temporary payment withhold. When implementing a withhold, the ACO shall send a DCMA Form 1797 to the CMO Trusted Agent requesting entry of a code “B” in the Withholding Code field for the specific Supply Line Item Record in MOCAS.

~~3.3.2.1.5. Withholds for Specialty Metals (Berry Amendment). When contractors ship items containing nonconforming specialty metals, ACOs may temporarily withhold payments.~~

3.3.2.2. Tracking Withholds. ACOs must track temporary payment withholds. Tracking mechanisms should be sufficient to allow the ACO to identify cumulative amounts withheld against each specific contract and cumulative amounts withheld for all impacted contracts.

3.3.2.3. Discontinuing Withholds. ~~When cumulative payment withholds are sufficient to protect the Government from potential risk of harm, the ACO may discontinue the payment withholds.~~ Discontinuation of payment withholds are *generally* implemented by issuing a unilateral modification against affected contracts *when the withhold was initially implemented by issuing a unilateral contract modification (see paragraph 3.3.2.1.), or by issuing a determination letter with notice of discontinuation of payment withhold when withholding was initially based on disapproval of a contractor business system (see DCMA-INST 131 (Reference (am))).* The *unilateral modifications discontinuing withholds* should reference *any*

previous modification numbers issued to implement the withholds and indicate why the withholds are being discontinued. ~~Discontinuing payment withholds does not mean the contractor is authorized to bill for previously withheld amounts (e.g., cumulative amount withheld is sufficient to protect the Government from potential risk of harm but the contractor has not yet satisfied contractual requirements or corrected associated deficiencies).~~ The ACO shall request the CMO Trusted Agent to remove withhold codes from MOCAS, as applicable. The ACO ensures that DCAA is provided a copy of the modification, or **determination letter with notice of discontinuation of** withhold ~~decision information is made available~~ for processing of cost vouchers.

3.3.2.4. Releasing Previously Withheld Amounts. The ACO may authorize release of previously withheld amounts when contractual requirements have been satisfied and the Government's interest is no longer at risk. ~~Temporary withholds are not subject to the interest penalty provisions of the Prompt Payment Act (Reference (ahi)). Prompt payment regulations (part 1315.10(e) of title 5 Code of Federal Regulations (Reference (aop))) do not require the Government to pay interest penalties if payment delays are due to disagreement between the Government and the contractor over the payment amount or other issues involving contract compliance, or on amounts temporarily withheld or retained in accordance with the terms of the contract.~~

**3.4. ACO APPROVAL OF INVOICES.** *Invoices for* fixed-price contracts for services that do not contain the MIRR clause (DFARS 252.246-7000 (Reference (ac))). ~~Invoices in this category~~ have shipment numbers beginning with the letters, SER, and if submitted in WAWF, they are created as 2-in-1 for Services transactions. This type of transaction is an invoice without a receiving report, which is routed through an approver before going to the payment office. In order to meet the requirement for acceptance or approval at FAR 32.905(c) (Reference (ap)), such contracts contain language designating an approver of the services invoices. The designated approver may be an ACO, or it may be a specialist at the buying activity or other customer entity. This paragraph applies to those contracts that designate an ACO as the approver.

3.4.1. The Invoices Awaiting Approval Report (Reveal Report #UYFD19) lists all invoices on hand at DFAS Columbus awaiting ACO approval. ACOs shall provide the DFAS Contract Pay, Accounts Payable Division with needed approvals or withholding authorization in a timely manner. Accounts Payable points of contact may be found in the DFAS Order of Escalation. The ACO shall:

3.4.1.1. Annotate paper invoices received for processing with the receipt date in accordance with FAR **32.905(e)** (Reference (aq)).

3.4.1.2. Review the invoice date to ensure the invoice is current.

3.4.1.3. Establish a method of controlling and tracking invoices received for approval.

3.4.2. Prime Contractor's Timely Payment of Subcontractor Invoices. **Due to the impact of day to day operations, prime contractors and subcontractors monitor the timeliness of contract**

**payments. Prime contractors** must establish procedures to ensure timely payment of their subcontracts with small business concerns (FAR 52.219-8 Reference (*ar*)). ACOs may exercise any of the following remedies when prime contractors fail to pay subcontractors in accordance with the terms and conditions of a subcontract or subcontract invoice:

3.4.2.1. Recommend removal of the prime contractor from the Direct Billing Program for not following approved payment procedures, in coordination with DCAA.

3.4.2.2. Assign high risk ratings on prime contractor subcontracting plans for failure to manage subcontracts.

3.4.2.3. Decrement billing rates, in coordination with DCAA.

3.4.2.4. Implement fee or payment withholding.

3.4.2.5. Suspend or reduce progress payments or performance based payments.

3.4.2.6. Document poor subcontract management in contract performance ratings.

3.4.2.7. Disallow unpaid subcontract costs for financing and interim payments.

***3.4.3. Invoicing in a Contingency Environment. The approval process of contract payment in a contingency environment is done in a joint effort between the Contracting Officer Representative (COR) and ACO. The COR accepts the services or supplies by signing the paper copy of the DD Form 250. The ACO submits the payment package; contractor invoice, DD Form 250, and any other required documents to the designated payment office. If the COR is not appointed, obtain confirmation from the requiring activity in writing stating that the services or supplies were received based on the contract terms and the ACO can sign the DD Form 250. If all documentation and signatures are correct and final review has been completed by the ACO, the invoice will be submitted to DFAS or the local payment office for payment. The ACO shall prepare and sign a Memorandum for Record to document the situation for the contract file. The ACO shall retain all correspondence in accordance with FAR 4.803(b), Contract Administration Office Contract File (Reference (as)) and DCMA-INST 809, "Records Management" (Reference (at)).***

**3.5. PROGRESS PAYMENT REJECTION.** The ACO team is notified of rejected Progress Payment Requests (PPR) through REVEAL Report UNFM72. The ACO team reviews the report to identify errors and responsibility for corrections; i.e., Government or Vendor caused. Any further processing of the PPR requires the ACO to use the "return to contractor" function in MOCAS. This is done after correction for a government caused delay or before correction for a vendor caused delay. The "return to contractor" function serves to make the PPR available in the WAWF Acceptor Rejected Transaction folder. After all corrections have been made, the ACO will re-sign and resubmit the PPR through WAWF for payment.

## GLOSSARY

### ACRONYMS

<b><i>ACH</i></b>	<b><i>Automated Clearing House</i></b>
ACO	<b><i>administrative contracting officer</i></b>
ASI	Amended Shipping Instruction
<del>CCR</del>	<del><b><i>Central Contractor Registration</i></b></del>
CMO	<b><i>contract management office</i></b>
DCAA	Defense Contract Audit Agency
DCMA-INST	DCMA Instruction
DFAS	Defense Finance and Accounting Services
DFARS	Defense Federal Acquisition Regulation Supplement
EFT	Electronic Funds Transfer
FAR	Federal Acquisition Regulation
FOB	<b><i>free on board</i></b>
<b><i>LOA</i></b>	<b><i>line of accounting</i></b>
MIRR	Material Inspection and Receiving Report
<b><i>MDSI</i></b>	<b><i>MOCAS Data Sharing Initiative</i></b>
MOCAS	Mechanization of Contract Administration Services
NoA	Notice of Assignment
NSP	<b><i>not separately priced</i></b>
ODO	<b><i>other disbursing office</i></b>
PCO	<b><i>procuring contracting officer</i></b>
PGI	Procedures, Guidance and Information
PLAS	Performance Labor Accounting <b><i>S</i></b> ystem
PPR	<b><i>progress payment requests</i></b>
<b><i>PR</i></b>	<b><i>purchase request</i></b>
SAM	System for Award Management
SF	Standard Form
<b><i>TWCA</i></b>	<b><i>Theater Wide Contract Administration</i></b>
WAWF	Wide Area Workflow
WAWF-RR	Wide Area Workflow Receiving Report