

Subchapter 3032.70 Contract Payments

3032.7000 Scope of subchapter.

This subchapter prescribes policies and procedures for the submission, review, and approval of payments under contracts and orders as defined under FAR Part 16.

3032.7001 Policy.

An in-depth review of all invoices and vouchers submitted by contractors under contracts shall be performed consistent with the requirements of this chapter and as supplemented by Component procedures.

3032.7002 Invoice and voucher review and approval.

(a) Contracting officers are ultimately responsible for the review and approval of each invoice and/or voucher submitted by the contractor. However, the contracting officer may delegate to a representative the authority to review and approve invoices submitted for payment under fixed-price contracts. The person delegated this authority must provide a copy of the approved invoice and supporting documents to the contracting officer for the contract file. When invoices and vouchers are reviewed, the extent of the review is dependent upon the terms and conditions of the contract. Appropriate use of sampling is encouraged. The following list is representative of the tasks associated with reviewing and approving invoices and vouchers:

- (1) Ensure that the contractor completes and submits the invoice or voucher in accordance with the contract;
- (2) Ensure that the invoice or voucher is "proper" as that term is defined in the contract;
- (3) Ensure that the billed costs are allocable to the contract and allowable in accordance with FAR Part 31 and any other terms and conditions of the contract;
- (4) Ensure that evidence of receipt, inspection, and acceptance of the supplies or services has been received from a Government representative (this may be done electronically);
- (5) Ensure that the contractor's progress under the contract is commensurate with the payment requested (i.e., the unliquidated progress payments do not exceed the fair value of the work to be accomplished on the undelivered portion of the contract); and
- (6) Ensure that the correct amounts are withheld from the invoice or voucher as required by the contract (i.e., progress payment liquidation, percentage of fixed fee, etc.).

(b) *Cost-reimbursement contracts.*

- (1) When cost-reimbursement payments will be made under the contract, the contracting officer shall obtain the recommendation of Government personnel (e.g., technical

representatives, quality assurance inspectors, auditors, etc.) concerning payment of the voucher.

(2) The responsibility for reviewing and recommending approval of vouchers may be delegated by the contracting officer to either the COR or to the Defense Contract Audit Agency (DCAA) or both. Circumstances that would support delegating the voucher processing to DCAA would include situations where DCAA already audits the contractor. In such cases, it is typically more efficient to use DCAA to process vouchers.

(i) If DCAA is identified in a contract as the cognizant audit office, they are delegated responsibility to review vouchers per the MOU at HSAM Appendix U. The contracting officer shall require that the contractor submit vouchers directly to the cognizant DCAA auditor at the same time as the original is sent to the COR/contracting officer.

(ii) DCAA will review all first vouchers submitted under the contract or delivery order and sample the remaining vouchers. However, for any particular voucher, the contracting officer can request a DCAA review of that specific voucher if the contracting officer has concerns.

(c) If the contracting officer determines the amount billed is allocable and allowable, he/she shall furnish the designated payment office with written approval of the amount to be paid the contractor. (See Appendix S for a sample format).

(d) *Time-and-materials and labor-hour contracts.*

(1) When processing vouchers (or commercial invoices submitted per FAR 52.212-4 Alternate I) for payment under time-and-materials (T&M) or labor-hour contracts, appropriate use of sampling is encouraged for verifying the adequacy of supporting information for the voucher/commercial invoice. The checklist at Appendix S, or a component authorized form that is substantially similar, should be used as a basis for the review. The responsible Government official should verify:

(i) That the employees meet the qualifications for the labor categories to which they are being billed;

(ii) That the hourly rates for each category on the voucher match the rates specified in the contract for the period being invoiced;

(iii) That the material costs included in the voucher/commercial invoice are adequately supported by invoices and/or evidence of payment to vendors;

(iv) The accuracy of the mathematical calculations contained in the voucher; and

(v) That the hours worked match the hours billed.

(2) The responsibility for reviewing and recommending approval of vouchers or commercial invoices on T&M and labor-hour contracts may be delegated by the contracting officer to either the COR or to the DCAA or both. Circumstances that would support delegating the voucher processing to DCAA would include situations where DCAA already audits the contractor. In such cases, it is typically more efficient to use DCAA to process vouchers.

(i) If DCAA is identified in a contract as the cognizant audit office, it is delegated responsibility to review vouchers per the MOU at HSAM Appendix U. The contracting officer shall require that the contractor submit vouchers directly to the cognizant DCAA auditor at the same time as the original is sent to the COR/contracting officer.

(ii) DCAA will review all first vouchers submitted under the contract or delivery order and sample the remaining vouchers. However, for any particular voucher, the contracting officer can request a DCAA review of that specific voucher if the contracting officer has concerns.

(3) The responsibility for review and approval of interim payment vouchers/commercial invoices on T&M and labor-hour contracts or orders may be delegated by the contracting officer only to the COR.

(i) If the contracting officer delegates review and approval of vouchers/commercial invoices to the COR or if the contracting officer retains authority for approval of vouchers/commercial invoices:

(A) The contracting officer shall direct the contractor to support each voucher/commercial invoice such as with the information addressed in the sample letter at Appendix S.

(B) The contracting officer or, if delegated, the COR is responsible to verify that the hours worked by the contractor match the hours billed through use of an appropriate sampling plan or other verification process.

(C) The contracting officer or, if delegated, the COR is required to accomplish the verifications required by paragraph (d)(1) of this subsection.

(1) Review of information provided by the contractor per direction of the contracting officer's letter at Appendix S is adequate for this purpose. The accuracy of this information should be verified by the COR at appropriate intervals.

(2) If the contractor fails to provide the supporting information directed by the contracting officer to support a

voucher/commercial invoice, the voucher/commercial invoice should be rejected as an improper invoice.

(3) The contracting officer may negotiate an advance agreement with a contractor on reduced or streamlined information support requirements under special circumstances, such as when the contractor has been approved for direct billing by the DCAA.

(D) If the contracting officer delegates the authority to approve interim payment vouchers/commercial invoices, the authority shall not include authority to approve the final payment for the completion invoice or voucher.

3032.7003 Record of payment.

(a) The contracting officer shall establish a record (either hard copy or electronic) of payment file for each contract. The file must provide evidence of the amount paid; any amounts disallowed or withheld, and the rationale for the disallowances or withholdings; balance available for payment under the contract after the invoice or voucher has been paid, and any correspondence to the contractor concerning the payments.