

**APPENDIX AB
DEMAND FOR PAYMENT LETTER TEMPLATE**

TEMPLATE FOR A DEMAND FOR PAYMENT LETTER TO A DHS CONTRACTOR.

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INTRODUCTION:

This HSAM Appendix provides templates for various types of demand for payment letters to be sent to a contractor who owes money to the government as a result of a debt that has arisen under a DHS contract or order. Demands for payment of a contract debt are governed by FAR 32.6.

INSTRUCTIONS:

When you prepare a demand for payment letter, you should select the template that best fits the type of debt for which you are seeking payment. The difference between the various templates is due to differences in contract clauses regarding payment of interest by the contractor for different

types of debts that can occur. For example, contract clauses governing some contract debts, such as a Defective Pricing debt, require a contractor to repay any overpayments PLUS interest on the overpayment amounts beginning at the date(s) of overpayment. Some other types of debts are governed by a contract clause that only requires payment of interest beginning 30 days after issuance of a demand for payment. Other types of debts are not governed by any contract clause that addresses payment of interest on the debt; interest payments under these debts are governed by law and DHS financial management procedures.

The five sample templates provided for your use in this HSAM Appendix give a starting place for preparation of your demand for payment letter. Each must be customized to fit your situation. You should select the template that best fits your situation and prepare your letter to match the facts of your situation and the requirements of the FAR and other governing regulations or laws.

Demand For Payment Letter - Template #1

Contract debt with interest required ONLY by Interest clause, FAR 52.232-17 or 52.212-4(i)(6).

INSTRUCTIONS FOR USE OF TEMPLATE #1.

1. Use template #1 if you determine that the debt arises from the contract and the contract requires payment of interest ONLY in the Interest clause, FAR 52.232-17 or 52.212-4(i)(6).
2. Modify template #1 to insert appropriate amounts to describe the debt.
3. Modify Template #1 to delete paragraphs that do not apply to your situation per instructions within the template.

Company Representative's Name
 Company Name
 Company Address
 City, State, Zip Code

Dear _____ (*company representative's name*)

This letter is to inform you that _____ (*insert company name*) is indebted to the United States Government in the amount of \$XX,XXX.XX) on Contract No. XXXXXX-XX-X-XXXX and that payment in full is due not later than 30 days after the date of this notification.

Please remit a check in the amount of \$_____ payable to the payment office that is identified in your contract, annotated with the contract number and accompanied by a copy of this demand for payment.

This debt resulted from (*fully describe the basis of debt*).

The amount due is comprised of—

Principal Amount of Debt	\$
Interest (if there are previously accrued amounts)	\$
Penalty (if applicable)	\$
Total Debt owed	\$

(If the lines of accounting against which the debt is due are readily available, the letter should include the following. See FAR 32.604(b)(2) for specific instructions. DELETE THE PARAGRAPH IF YOU CANNOT FILL OUT THE DISTRIBUTION OF THE DEBT.)

The following is a distribution of the debt by lines of accounting:

AAAAAAAAAA	\$
BBBBBBBBBB	\$
CCCCCCCCCC	\$

(If the lines of accounting are not readily available, instead of the above paragraph and chart, the letter should include the below statement. Also see FAR 32.604(b)(2)(iv) for specific instructions. DELETE THE PARAGRAPH IF YOU FILLED OUT THE ABOVE TABLE.)

The distribution of the debt by lines of accounting will be provided in a separate letter by _____
(insert date by which the lines of accounting will be provided).

Any amounts not paid within 30 days from the date of this demand for payment will bear interest. Interest shall be computed from the date of the demand for payment until repayment by the contractor. The interest rate shall be the interest rate established by the Secretary of the Treasury, as provided in 41 U.S.C. 7109, which is applicable to the period in which the amount becomes due, and then at the rate applicable for each six-month period as established by the Secretary until the amount is paid. This rate is published on the Department of the Treasury's website, <http://www.fms.treas.gov/prompt/index.html>.

If you are financially unable to pay the full amount of the debt at the present time, you may request an installment payment agreement or deferment of collection if immediate payment is not practicable or if the amount is in dispute. Your request for installment or deferment should be made in writing and supported by certified statements of income and financial position covering the last 12 months. Requests for installments or deferment should be made to the payment office accounts receivable division.

If you have not liquidated the debt within 30 days of the date due or requested installment payments or deferment of collection, the payment office may initiate withholding of principal, interest, penalties, and administrative charges. The debt may be subject to the Department of the Treasury offset from any Federal payments otherwise due your company. The debt may be referred to the Department of the Treasury for collection, and its collection actions could include credit bureau reporting, referral to the Treasury Offset Program for administrative offsets, and referral to third-party collection agencies. In addition, the Agency may seek to collect amounts owed through internal administrative offset or by referral to the Department of Justice for legal action. You will be responsible for all fees charged in collection of the debt, including the fee assessed by Treasury for any debt referred to it for collection. When you provide a check as payment, you authorize the Agency either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. You may review a Privacy Act Statement required by 5 U.S.C. 552a(e)(3) stating our authority for soliciting and collecting the information from your check, and explaining the purposes and routine uses which will be made by your check information, at (<http://www.fms.treas.gov/otcnet/index.html>). Furnishing the check information is voluntary, but a decision to not do so may require you to make payment by some other method.

In the event the contract is assigned under the authority of 31 U.S.C. 3727 or 41 U.S.C. 6305, the rights of the assignee will be scrupulously respected and withholding of payments shall be consistent with those rights.

If you believe that the debt is invalid or the amount is incorrect or you have any questions, please contact the undersigned immediately at (XXX) XXX-XXXX. You have a right to a full explanation of the debt and to inspect and copy records relating to the debt. Interest will continue

to accrue while the debt is in dispute.

Sincerely,

Contracting Officer

cc: Payment office identified in the contract

Demand For Payment Letter - Template #2

DEFECTIVE PRICING

INSTRUCTIONS FOR USE OF TEMPLATE #2.

1. Use template #2 if you determine that the contract debt arises from a submission of defective cost or pricing data.
2. Modify template #2 to insert appropriate amounts to describe the debt.
3. Modify Template #2 to delete paragraphs that do not apply to your situation per instructions within the template.

Company Representative's Name

Company Name

Company Address

City, State, Zip Code

Dear _____ (*company representative's name*)

This letter is to inform you that _____ (*insert company name*) is indebted to the United States Government in the amount of \$XX,XXX.XX) on Contract No. XXXXXX-XX-X-XXXX and that payment in full is due not later than 30 days after the date of this notification.

Please remit a check in the amount of \$_____ payable to the payment office that is identified in your contract, annotated with the contract number and accompanied by a copy of this demand for payment.

Repayment of this debt is necessary to recoup overpayment made by the Government stemming from overpricing as a result of submittal of defective certified cost or pricing data. The reduced contract price is shown in the attached contract modification. The dates and amounts of overpayments are shown below along with the interest and penalty due on each overpayment (or see attached).

The interest due amount below above has been computed in accordance with _____ (*Insert clause number and title here; e.g.; FAR 52.215-10, Price Reduction for Defective Certified Cost or Pricing Data.*). Based on the requirements of that clause, your obligation to pay interest began on the date(s) of overpayment. The below table shows the amount you owe as of _____ (*insert date interest computation ended – should be as close as possible to the date of the demand letter.*) Interest will continue to accumulate from that date until full payment is made. The computation of the amount of interest you owe for this initial period is as follows:

ITEM	OVERPAYMENT AMOUNT	DATE OF OVERPAYMENT	INTEREST DUE THRU (INSERT DATE)	PENALTY AMOUNT

The amount due is comprised of—

Principal Amount of Debt	\$
Interest (if there are previously accrued amounts)	\$
Penalty (if applicable)	\$
Total Debt owed	\$

(If the lines of accounting against which the debt is due are readily available, the letter should include the following. See FAR 32.604(b)(2) for specific instructions. DELETE THE PARAGRAPH IF YOU CANNOT FILL OUT THE DISTRIBUTION OF THE DEBT.)

The following is a distribution of the debt by lines of accounting:

AAAAAAAAA	\$
BBBBBBBBB	\$
CCCCCCCCC	\$

(If the lines of accounting are not readily available, instead of the above paragraph and chart, the letter should include the below statement. Also see FAR 32.604(b)(2)(iv) for specific instructions. DELETE THE PARAGRAPH IF YOU FILLED OUT THE ABOVE TABLE.)

The distribution of the debt by lines of accounting will be provided in a separate letter by _____ *(insert date by which the lines of accounting will be provided)*.

If you are financially unable to pay the full amount of the debt at the present time, you may request an installment payment agreement or deferment of collection if immediate payment is not practicable or if the amount is in dispute. Your request for installment or deferment should be made in writing and supported by certified statements of income and financial position covering the last 12 months. Requests for installments or deferment should be made to the payment office accounts receivable division.

If you have not liquidated the debt within 30 days of the date due or requested installment payments or deferment of collection, the payment office may initiate withholding of principal, interest, penalties, and administrative charges. The debt may be subject to the Department of the Treasury offset from any Federal payments otherwise due your company. The debt may be referred to the Department of the Treasury for collection, and its collection actions could include credit bureau reporting, referral to the Treasury Offset Program for administrative offsets, and

referral to third-party collection agencies. In addition, the Agency may seek to collect amounts owed through internal administrative offset or by referral to the Department of Justice for legal action. You will be responsible for all fees charged in collection of the debt, including the fee assessed by Treasury for any debt referred to it for collection. When you provide a check as payment, you authorize the Agency either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. You may review a Privacy Act Statement required by 5 U.S.C. 552a(e)(3) stating our authority for soliciting and collecting the information from your check, and explaining the purposes and routine uses which will be made by your check information, at (<http://www.fms.treas.gov/otcnet/index.html>). Furnishing the check information is voluntary, but a decision to not do so may require you to make payment by some other method.

In the event the contract is assigned under the authority of 31 U.S.C. 3727 or 41 U.S.C. 6305, the rights of the assignee will be scrupulously respected and withholding of payments shall be consistent with those rights.

If you believe that the debt is invalid or the amount is incorrect or you have any questions, please contact the undersigned immediately at (XXX) XXX-XXXX. You have a right to a full explanation of the debt and to inspect and copy records relating to the debt. Interest will continue to accrue while the debt is in dispute.

Sincerely,

Contracting Officer

cc: Payment office identified in the contract

Demand For Payment Letter - Template #3
COST ACCOUNTING STANDARDS (CAS)

INSTRUCTIONS FOR USE OF TEMPLATE #3.

1. Use template #3 if you determine that the contract debt is as a result of operation of a CAS clause.
2. Modify template #3 to insert appropriate amounts to describe the debt.
3. Modify Template #3 to delete paragraphs that do not apply to your situation per instructions within the template.

Company Representative's Name
 Company Name
 Company Address
 City, State, Zip Code

Dear _____ (*company representative's name*)

This letter is to inform you that _____ (*insert company name*) is indebted to the United States Government in the amount of \$XX,XXX.XX) on Contract No. XXXXXX-XX-X-XXXX and that payment in full is due not later than 30 days after the date of this notification.

Please remit a check in the amount of \$_____ payable to the payment office that is identified in your contract, annotated with the contract number and accompanied by a copy of this demand for payment.

Repayment of this debt is necessary to recoup overpayment made by the Government stemming from overpricing as a result of submittal of defective certified cost or pricing data. The reduced contract price is shown in the attached contract modification. The dates and amounts of overpayments are shown below along with the interest and penalty due on each overpayment (or see attached).

The interest due amount below above has been computed in accordance with _____ (*Insert clause number and title here; e.g.; FAR 52.230-5, Cost Accounting Standards*). Based on the requirements of that clause, your obligation to pay interest began on the date(s) of overpayment. The below table shows the amount you owe as of _____ (*insert date interest computation ended – should be as close as possible to the date of the demand letter.*) Interest will continue to accumulate from that date until full payment is made. The computation of the amount of interest you owe for this initial period is as follows:

ITEM	OVERPAYMENT AMOUNT	DATE OF OVERPAYMENT	INTEREST DUE THRU (INSERT DATE)

The amount due is comprised of—

Principal Amount of Debt	\$
Interest (if there are previously accrued amounts)	\$
Penalty (if applicable)	\$
Total Debt owed	\$

The following is a distribution of the debt by contract and by lines of accounting:

Contract #1

AAAAAAAAAA	\$
BBBBBBBBBB	\$
CCCCCCCCCC	\$

Contract #2

AAAAAAAAAA	\$
BBBBBBBBBB	\$
CCCCCCCCCC	\$

Contract#3, Etc.

(If the lines of accounting are not readily available, instead of the above paragraph and chart, the letter should include the below statement. Also see FAR 32.604(b)(2)(iv) for specific instructions. DELETE THE PARAGRAPH IF YOU FILLED OUT THE ABOVE TABLE.)

The distribution of the debt by lines of accounting will be provided in a separate letter by _____ *(insert date by which the lines of accounting will be provided).*

If you are financially unable to pay the full amount of the debt at the present time, you may request an installment payment agreement or deferment of collection if immediate payment is not practicable or if the amount is in dispute. Your request for installment or deferment should be made in writing and supported by certified statements of income and financial position covering the last 12 months. Requests for installments or deferment should be made to the payment office accounts receivable division.

If you have not liquidated the debt within 30 days of the date due or requested installment payments or deferment of collection, the payment office may initiate withholding of principal, interest, penalties, and administrative charges. The debt may be subject to the Department of the Treasury offset from any Federal payments otherwise due your company. The debt may be referred to the Department of the Treasury for collection, and its collection actions could include credit bureau reporting, referral to the Treasury Offset Program for administrative offsets, and referral to third-party collection agencies. In addition, the Agency may seek to collect amounts owed through internal administrative offset or by referral to the Department of Justice for legal action. You will be responsible for all fees charged in collection of the debt, including the fee assessed by Treasury for any debt referred to it for collection. When you provide a check as payment, you authorize the Agency either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. You may review a Privacy Act Statement required by 5 U.S.C. 552a(e)(3) stating our authority for soliciting and collecting the information from your check, and explaining the purposes and routine uses which will be made by your check information, at (<http://www.fms.treas.gov/otcnet/index.html>). Furnishing the check information is voluntary, but a decision to not do so may require you to make payment by some other method.

In the event the contract is assigned under the authority of 31 U.S.C. 3727 or 41 U.S.C. 6305, the rights of the assignee will be scrupulously respected and withholding of payments shall be consistent with those rights.

If you believe that the debt is invalid or the amount is incorrect or you have any questions, please contact the undersigned immediately at (XXX) XXX-XXXX. You have a right to a full explanation of the debt and to inspect and copy records relating to the debt. Interest will continue to accrue while the debt is in dispute.

Sincerely,

Contracting Officer

cc: Payment office identified in the contract

Demand For Payment Letter - Template #4

**CONTRACT CLAUSE REQUIRING INTEREST FROM DATE OF OVERPAYMENT
(OTHER THAN DEFECTIVE PRICING OR CAS)**

INSTRUCTIONS FOR USE OF TEMPLATE #4.

1. Use template #4 if you determine that the contract debt arises from a clause that requires payment of interest beginning at the date of overpayment (vs. beginning at date of demand for payment) OTHER THAN Defective Pricing or CAS or the Interest Clause at FAR 52.212-17 or 52.212-4(i)(6).
2. Modify template #4 to insert appropriate amounts to describe the debt.
3. Modify Template #4 to delete paragraphs that do not apply to your situation per instructions within the template.

Company Representative's Name
 Company Name
 Company Address
 City, State, Zip Code

Dear _____ (*company representative's name*)

This letter is to inform you that _____ (*insert company name*) is indebted to the United States Government in the amount of \$XX,XXX.XX) on Contract No. XXXXXX-XX-X-XXXX and that payment in full is due not later than 30 days after the date of this notification.

Please remit a check in the amount of \$_____ payable to the payment office that is identified in your contract, annotated with the contract number and accompanied by a copy of this demand for payment.

Repayment of this debt is necessary to recoup overpayment made by the Government stemming from overpricing as a result of submittal of defective certified cost or pricing data. The reduced contract price is shown in the attached contract modification. The dates and amounts of overpayments are shown below along with the interest and penalty due on each overpayment (or see attached).

The interest due amount below above has been computed in accordance with _____ (*Insert clause number and title here; e.g.; FAR 52.216-5 -- Price Redetermination – Prospective, or 52.216-16 -- Incentive Price Revision -- Firm Target*). Based on the requirements of that clause, your obligation to pay interest began on the date(s) of overpayment. The below table shows the amount you owe as of _____ (*insert date interest computation ended – should be as close as possible to the date of the demand letter.*) Interest will continue to accumulate from that date until full payment is made. The computation of the amount of interest you owe for this initial period is as follows:

ITEM	OVERPAYMENT AMOUNT	DATE OF OVERPAYMENT	INTEREST DUE THRU (INSERT DATE)

The amount due is comprised of—

Principal Amount of Debt	\$
Interest (if there are previously accrued amounts)	\$
Penalty (if applicable)	\$
Total Debt owed	\$

(If the lines of accounting against which the debt is due are readily available, the letter should include the following. See FAR 32.604(b)(2) for specific instructions. DELETE THE PARAGRAPH IF YOU CANNOT FILL OUT THE DISTRIBUTION OF THE DEBT.)

The following is a distribution of the debt by lines of accounting:

AAAAAAAAA	\$
BBBBBBBBB	\$
CCCCCCCCC	\$

(If the lines of accounting are not readily available, instead of the above paragraph and chart, the letter should include the below statement. Also see FAR 32.604(b)(2)(iv) for specific instructions. DELETE THE PARAGRAPH IF YOU FILLED OUT THE ABOVE TABLE.)

The distribution of the debt by lines of accounting will be provided in a separate letter by _____ *(insert date by which the lines of accounting will be provided).*

If you are financially unable to pay the full amount of the debt at the present time, you may request an installment payment agreement or deferment of collection if immediate payment is not practicable or if the amount is in dispute. Your request for installment or deferment should be made in writing and supported by certified statements of income and financial position covering the last 12 months. Requests for installments or deferment should be made to the payment office accounts receivable division.

If you have not liquidated the debt within 30 days of the date due or requested installment payments or deferment of collection, the payment office may initiate withholding of principal, interest, penalties, and administrative charges. The debt may be subject to the Department of the Treasury offset from any Federal payments otherwise due your company. The debt may be referred to the Department of the Treasury for collection, and its collection actions could include

credit bureau reporting, referral to the Treasury Offset Program for administrative offsets, and referral to third-party collection agencies. In addition, the Agency may seek to collect amounts owed through internal administrative offset or by referral to the Department of Justice for legal action. You will be responsible for all fees charged in collection of the debt, including the fee assessed by Treasury for any debt referred to it for collection. When you provide a check as payment, you authorize the Agency either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. You may review a Privacy Act Statement required by 5 U.S.C. 552a(e)(3) stating our authority for soliciting and collecting the information from your check, and explaining the purposes and routine uses which will be made by your check information, at (<http://www.fms.treas.gov/otcnet/index.html>). Furnishing the check information is voluntary, but a decision to not do so may require you to make payment by some other method.

In the event the contract is assigned under the authority of 31 U.S.C. 3727 or 41 U.S.C. 6305, the rights of the assignee will be scrupulously respected and withholding of payments shall be consistent with those rights.

If you believe that the debt is invalid or the amount is incorrect or you have any questions, please contact the undersigned immediately at (XXX) XXX-XXXX. You have a right to a full explanation of the debt and to inspect and copy records relating to the debt. Interest will continue to accrue while the debt is in dispute.

Sincerely,

Contracting Officer

cc: Payment office identified in the contract

Demand For Payment Letter - Template #5

CONTRACT DOES NOT INCLUDE A CLAUSE REQUIRING INTEREST PAYMENT.

INSTRUCTIONS FOR USE OF TEMPLATE #5–

1. Use template #5 only if you determine that the contract DOES NOT include a clause that requires the contractor to pay interest on debts under the contract, such as the interest clause at FAR 52.232-17 or 52.212-4(i).
2. Modify template #5 to insert appropriate amounts to describe the debt.
3. Modify Template #5 to delete paragraphs that do not apply to your situation per instructions within the template.

Company Representative’s Name
 Company Name
 Company Address
 City, State, Zip Code

Dear _____ (*company representative’s name*)

This letter is to inform you that _____ (*insert company name*) is indebted to the United States Government in the amount of \$XX,XXX.XX) on Contract No. XXXXXX-XX-X-XXXX and that payment in full is due not later than 30 days after the date of this notification.

Please remit a check in the amount of \$_____ payable to the payment office that is identified in your contract, annotated with the contract number and accompanied by a copy of this demand for payment.

This debt resulted from (*fully describe the basis of debt*).

The amount due is comprised of —

Principal Amount of Debt	\$
Interest (if there are previously accrued amounts)	\$
Penalty (if applicable)	\$
Total Debt owed	\$

(If the lines of accounting against which the debt is due are readily available, the letter should include the following. See FAR 32.604(b)(2) for specific instructions. DELETE THE PARAGRAPH IF YOU CANNOT FILL OUT THE DISTRIBUTION OF THE DEBT.)

The following is a distribution of the debt by lines of accounting:

AAAAAAAAA	\$
BBBBBBBBB	\$
CCCCCCCCC	\$

(If the lines of accounting are not readily available, instead of the above paragraph and chart, the letter should include the below statement. Also see FAR 32.604(b)(2)(iv) for specific instructions. DELETE THE PARAGRAPH IF YOU FILLED OUT THE ABOVE TABLE.)

The distribution of the debt by lines of accounting will be provided in a separate letter by _____
(insert date by which the lines of accounting will be provided).

(Make sure you have checked with your general counsel to determine if interest and penalties apply to this debt. If they do not apply, remove the below paragraph. Also see Section 3.13, Non-Tax Debt Collection, of the DHS Financial Management Policy Manual, which governs interest and penalty requirements on debt collection within DHS when a contract does not include a specific interest payment requirement.)

If you have not liquidated the debt within 30 days of the date due or requested installment payments or deferment of collection, the payment office may initiate withholding of principal, interest, penalties, and administrative charges. Handling charges will be assessed to cover administrative costs incurred as a result of not receiving timely payment. Handling charges will accrue at a rate of ten dollars (\$10.00) per month if payment is not received within sixty (60) days of the date of this notice. In addition to interest and handling charges, if DHS does not receive payment within ninety (90) days of the date of this notice, a six percent (6%) per annum penalty will be assessed. Charges will be computed from the date of this notice and will accrue monthly with the applicable interest and handling charges. In the case of any late payment, the amount received will be applied in this sequence: (1) to any accrued penalty and handling charges; (2) to any accrued interest; and (3) to outstanding principle.

If you are financially unable to pay the full amount of the debt at the present time, you may request an installment payment agreement or deferment of collection if immediate payment is not practicable or if the amount is in dispute. Your request for installment or deferment should be made in writing and supported by certified statements of income and financial position covering the last 12 months. Requests for installments or deferment should be made to the payment office accounts receivable division.

If you have not liquidated the debt within 30 days of the date due or requested installment payments or deferment of collection, the payment office may initiate withholding of principal, interest, penalties, and administrative charges. The debt may be subject to the Department of the Treasury offset from any Federal payments otherwise due your company. The debt may be referred to the Department of the Treasury for collection, and its collection actions could include credit bureau reporting, referral to the Treasury Offset Program for administrative offsets, and referral to third-party collection agencies. In addition, the Agency may seek to collect amounts owed through internal administrative offset or by referral to the Department of Justice for legal action. You will be responsible for all fees charged in collection of the debt, including the fee assessed by Treasury for any debt referred to it for collection. When you provide a check as payment, you authorize the Agency either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. You may review a Privacy Act Statement required by 5 U.S.C. 552a(e)(3) stating our authority for soliciting and collecting the information from your check, and explaining the purposes and routine uses which will be made by your check information, at

(<http://www.fms.treas.gov/otcnet/index.html>). Furnishing the check information is voluntary, but a decision to not do so may require you to make payment by some other method.

In the event the contract is assigned under the authority of 31 U.S.C. 3727 and 41 U.S.C. 6305, the rights of the assignee will be scrupulously respected and withholding of payments shall be consistent with those rights.

If you believe that the debt is invalid or the amount is incorrect or you have any questions, please contact the undersigned immediately at (XXX) XXX-XXXX. You have a right to a full explanation of the debt and to inspect and copy records relating to the debt. Interest will continue to accrue while the debt is in dispute.

Sincerely,

Contracting Officer

cc: Payment office identified in the contract