

Contract Pay Operations Overview

DAU Roadshow
May 2005

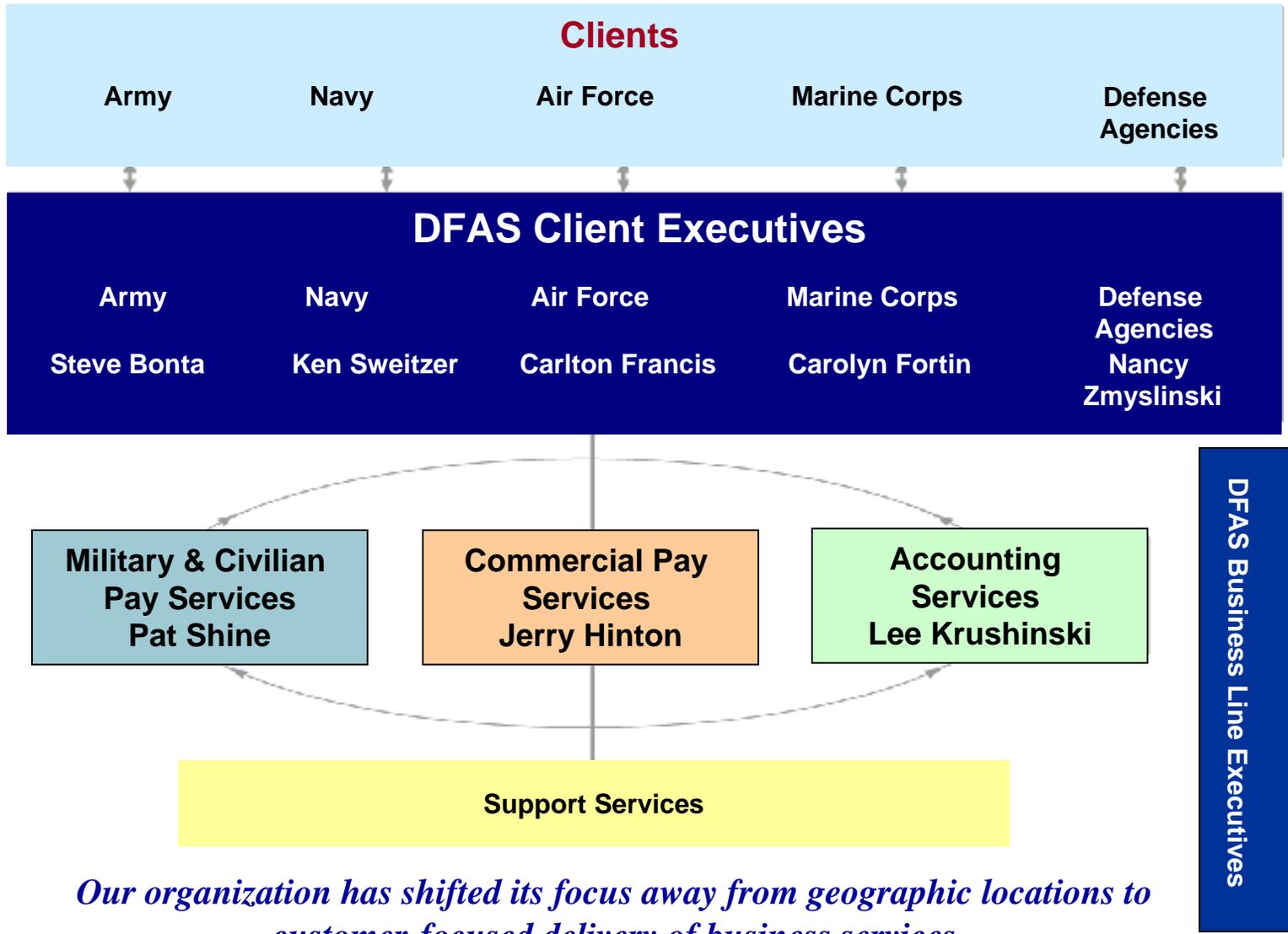


Brenda Locke
Director, Contract Pay Operations



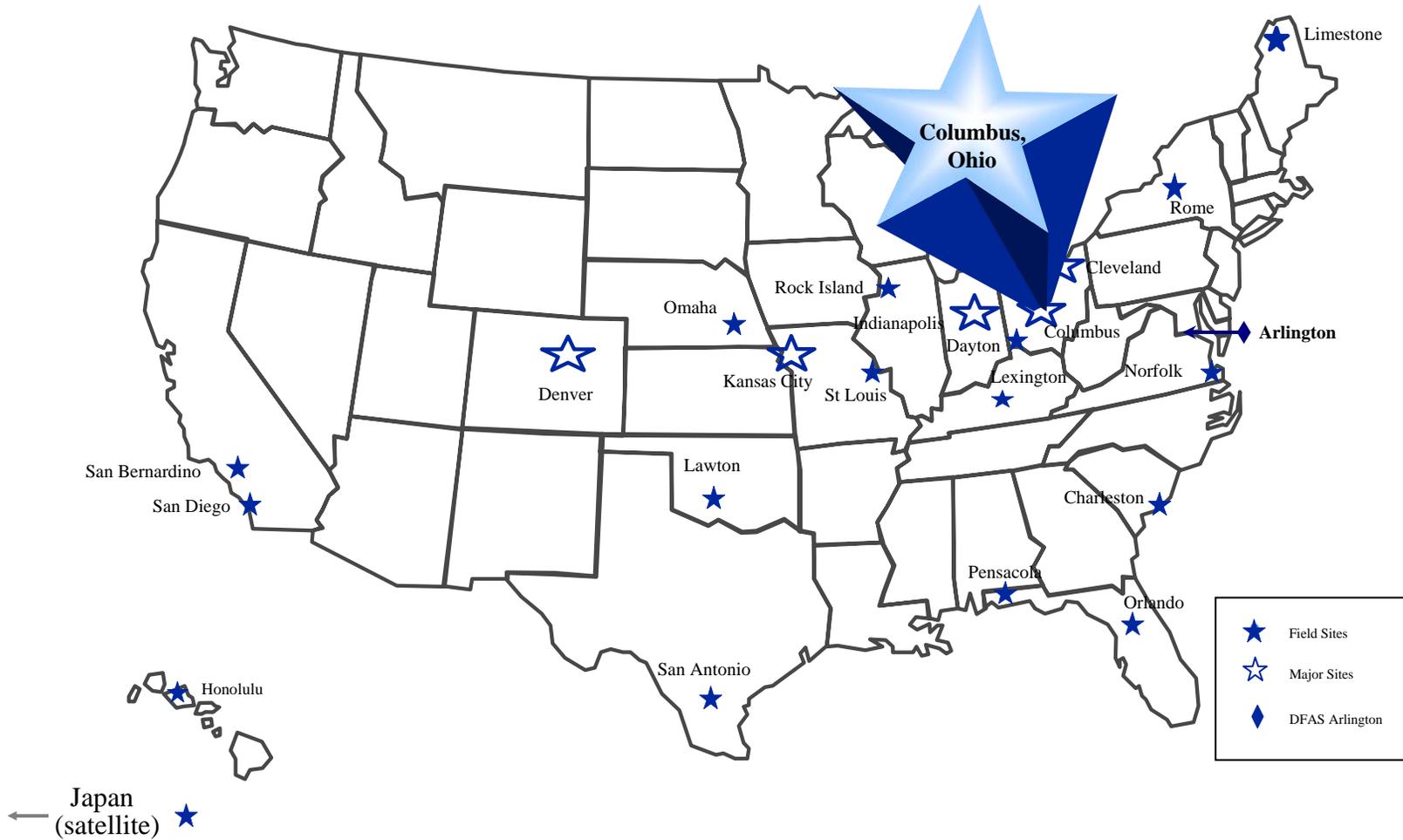
John Heston
DCMA Liaison to DFAS

DCMA
Defense Contract Management Agency



Our organization has shifted its focus away from geographic locations to customer-focused delivery of business services

Total 22 Pay Sites in US, Japan, & Europe



Achieves Customer Outcomes!

Provide Customer Focused Contract Management Services

Right Item = Quality

Right Time = On-Time Delivery

Right Price = Value for Money

Combat Support Agency

Military Operations

Readiness of Fielded Systems

Modernization of Military Equipment

Industrial Surge – During Conflict



CAS Life Cycle Involvement

- FAR 42.302(a) Standard Functions
- DFARS 242.302(a)
- FAR 42.302(b) Additional Functions
- DFARS 242.302(b)



- **Contract Pay Product Line**
 - Pays DCMA Administered Contracts
 - Uses **M**echanization **O**f Contract **A**dministration **S**ervices - **MOCAS**
 - Located in Columbus, Ohio
 - Pays More Complex Contracts
 - High Dollar
 - Multiyear Contracts
 - Multiple Deliverables
 - Makes Financing Payments
- **Vendor Pay Product Line**
 - Pays Contracts Where Buying Activity Retains Administration
 - Uses Multiple Systems
 - Deployed Across Multiple Locations World-Wide
 - Pays Less Complex Contracts
 - Payment Office Based on Preponderance of Funds at Time of Award

Mechanization **O**f **C**ontract **A**dministration **S**ervices

- Integrated system supporting post award contract administration
- Used by:
 - DCMA Contract Administration Offices
 - DFAS Contract Pay
 - Procurement Offices
 - Funding Stations (Prevalidation Business Partners)

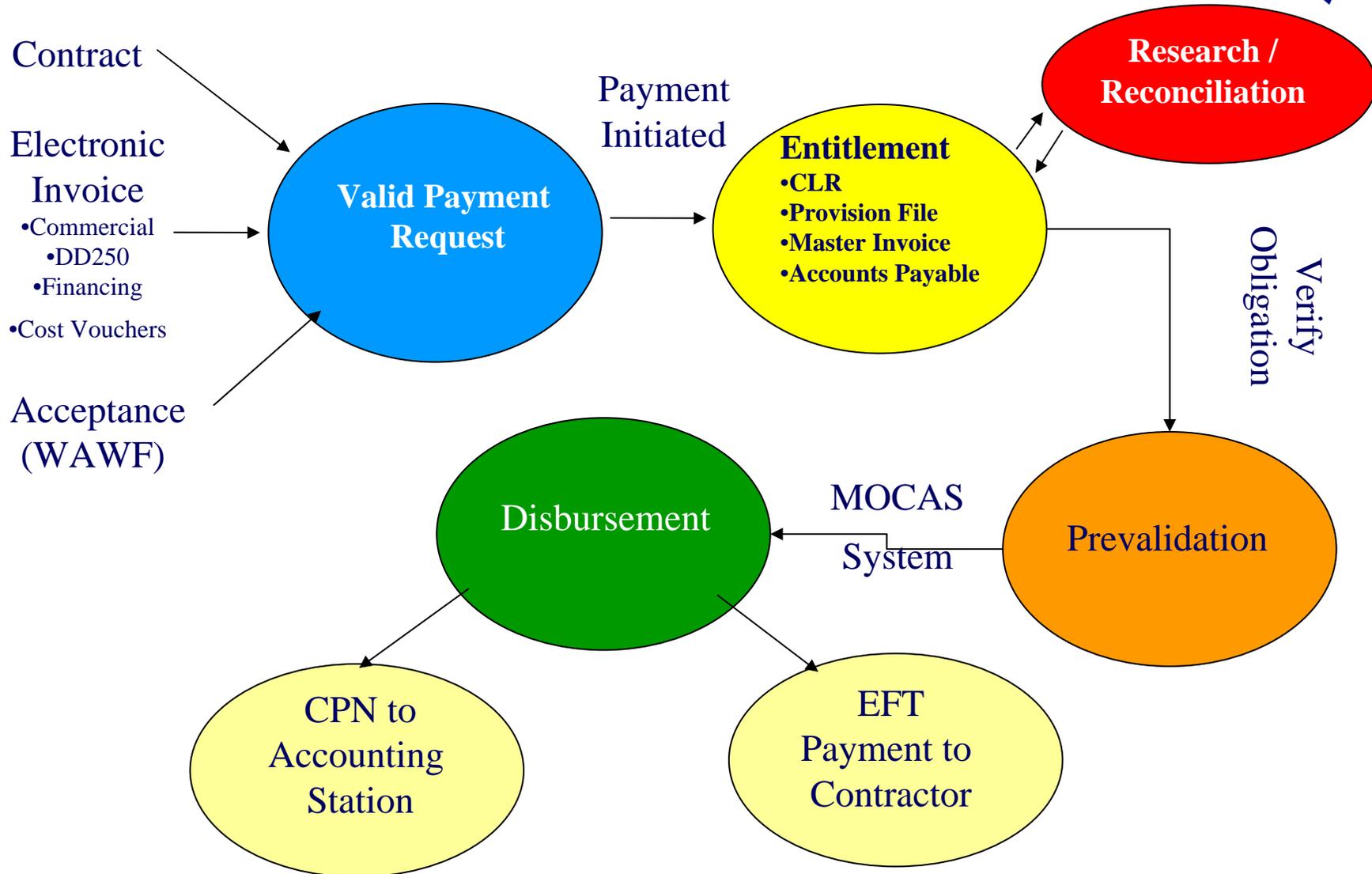
DCMA uses it in Postaward Contract Administration to:

- Track Contractor Performance
- Assure Timely Contracting Actions
- Send Status Information to Customers

DFAS Columbus uses it in Contract Payment to:

- Assure Contractor Payment Requests Are Valid
- Assure Contract Provisions for Payment Are Met
- Determine Amount of Payment

- **Accounting Systems**
- **Contract Writing Systems**
- **Logistics Systems**
- **Invoicing Systems**



- **DCMA and DFAS Actions Driven by the Contract**
 - Contractor Oversight
 - Contractor Payment
 - Saving Canceling Funds
 - Contract Closeout
- **Our Success Is Influenced by Contract:**
 - Data
 - Structure
 - Content
- **Each of These Elements is Equally Important**

- **Most Contract Writing Systems Generate Data**
- **Data Interacts with:**
 - Accounting Systems
 - MOCAS
 - Sometimes, Logistics Systems
- **Contract Data Allows Automation of Government Processes Supporting Contract Execution**
- **Working within System Enables Such Support**
- **Working outside System Costs Government Money**

- **Accurate LoAs Key to Successful Contract Execution**
- **They Assure Proper Posting of Transactions**
- **Ideally Contract Writing System Edits Would Be Harmonized with MOCAS Edits**
- **In the Meantime, Check Them Carefully**

- **Four Contract Line Item (CLIN) Characteristics:**
 - **Single Unit Price**
 - **Separately Identifiable**
 - **Separate Delivery Schedule**
 - **Single Accounting Classification Citation**
- **Can Be Subdivided by Any of These Characteristics**

- **Two Ways to Subdivide CLINs:**
 - **Informational Subline items**
 - **Numeric Suffix**
 - **Not Scheduled or Priced Separately**
 - **Identifies Multiple Funding Sources for Nonseverable Items**
 - **Separately Identified Subline Items**
 - **Alpha Suffix**
 - **May Be Scheduled or Priced Separately**
 - **May Identify Multiple Funding Sources for Severable Items**

- **Keep Them as Clear and Simple as Possible**
- **Only Subdivide CLINs for One Reason**
 - **Multiple Subline Breakouts Make Bizarre Contracts**
 - **Consider Separate CLINs for Other Breakouts**
- **Plan for CLIN Expansion During Contract Life**
- **Check Examples in DFARS 204.7104-2**
- **Consult Service/Agency Guides**
- **Normally Only Assign One ACRN per CLIN**

- When are Payment Instructions Required versus Desired?

Required when:

- Non-Severable or incrementally funded CLIN are funded by multiple ACRNs
- Fixed price Contracts awarded after August 31, 1998
 - Authorize progress payments, and
 - Funded by more than one appropriation
- Desired when the contract authorizes:
 - Progress payment (SF1443) billings
 - Cost-reimbursement voucher (SF1034) billings

- Where are Payment Instructions Found?
 - Section G of the contract
- Why are Payment Instructions Important?
 - Ensure monies are disbursed in accordance with contract terms
 - Eliminates guesswork and reduces
 - Prevalidation delays/rejects
 - Reconciliation effort
 - Dollars provided due to cancelled funds and interest

Payment Instructions: MOCAS Payment Processing



Type of Billing	MOCAS Payment Processing (absent any other criteria for manual review)
Commercial/DD250 Invoice (fixed price CLIN)	<p>MOCAS will process the invoice against the ACRN reflected in MOCAS for the CLIN being billed as long as the CLIN is funded by only one ACRN.</p> <p>MOCAS will stage the invoice for manual review and payment when the CLIN is funded by more than one ACRN or special payment instructions have been input for the CLIN being billed.</p>
Cost Voucher (SF1034) (cost-reimbursement CLIN)	<p>MOCAS will process the invoice using the following hierarchy;</p> <ol style="list-style-type: none"> 1. Against the CLIN/ACRN reflected on the invoice, overriding any special payment instructions that have been input into the system. 2. Against every available ACRN on the contract using a proportional distribution method when there is no CLIN/ACRN information on the invoice, and no special payment instructions have been entered into the system. 3. Invoice will be staged for manual review and payment when there is no CLIN/ACRN information on the invoice and special payment instructions have been input into the system, or the CLIN cited on the invoice is funded by more than one ACRN and no ACRN is provided on the invoice.
Performance Based Payments Commercial Financing (Advance & Interim Payments)	<p>MOCAS will process the invoice against the CLIN/ACRN reflected on the invoice unless special payment instructions have been input into the system.</p> <p>MOCAS will stage the invoice for manual review and payment when special payment instructions have been entered into the system.</p>
Progress Payments (SF1443)	<p>MOCAS will proportionately distribute the invoice across every available ACRN on the contract unless special payment instructions have been entered into the system.</p> <p>MOCAS will stage the invoice for manual review and payment when special payment instructions have been entered into the system.</p>
Advance Payments	MOCAS always stages these for manual processing.

- To prevent proration of cost vouchers...
 - Specific payment instructions must be in Section G of the contract, and
 - The contract requires the contractor to cite the CLIN/ACRN on the voucher
- To prevent proration of progress payments...
 - Specific payment instructions must be in Section G of the contract,
 - The Administrative Contracting Officer (ACO) must...
 - Provide instructions to the payment office prior to progress payment receipt, or
 - Enter the instructions directly into the MOCAS progress payment special payment instructions field

- When payment instructions are cited in the contract that require a different payment methodology than the MOCAS defaults
 - Contract input technician stops the Automatic Payment of Invoices process
 - Payment made according to the instructions in the contract unless
 - Billing is a cost voucher (SF1034) and
 - The CLIN/ACRN is cited on the SF1034 billing
- If a contract does not contain specific payment instructions or the payment instructions cited in the contract are consistent with the MOCAS defaults
 - The code to stop the API process will not be entered into MOCAS
 - Payment will be made using MOCAS defaults

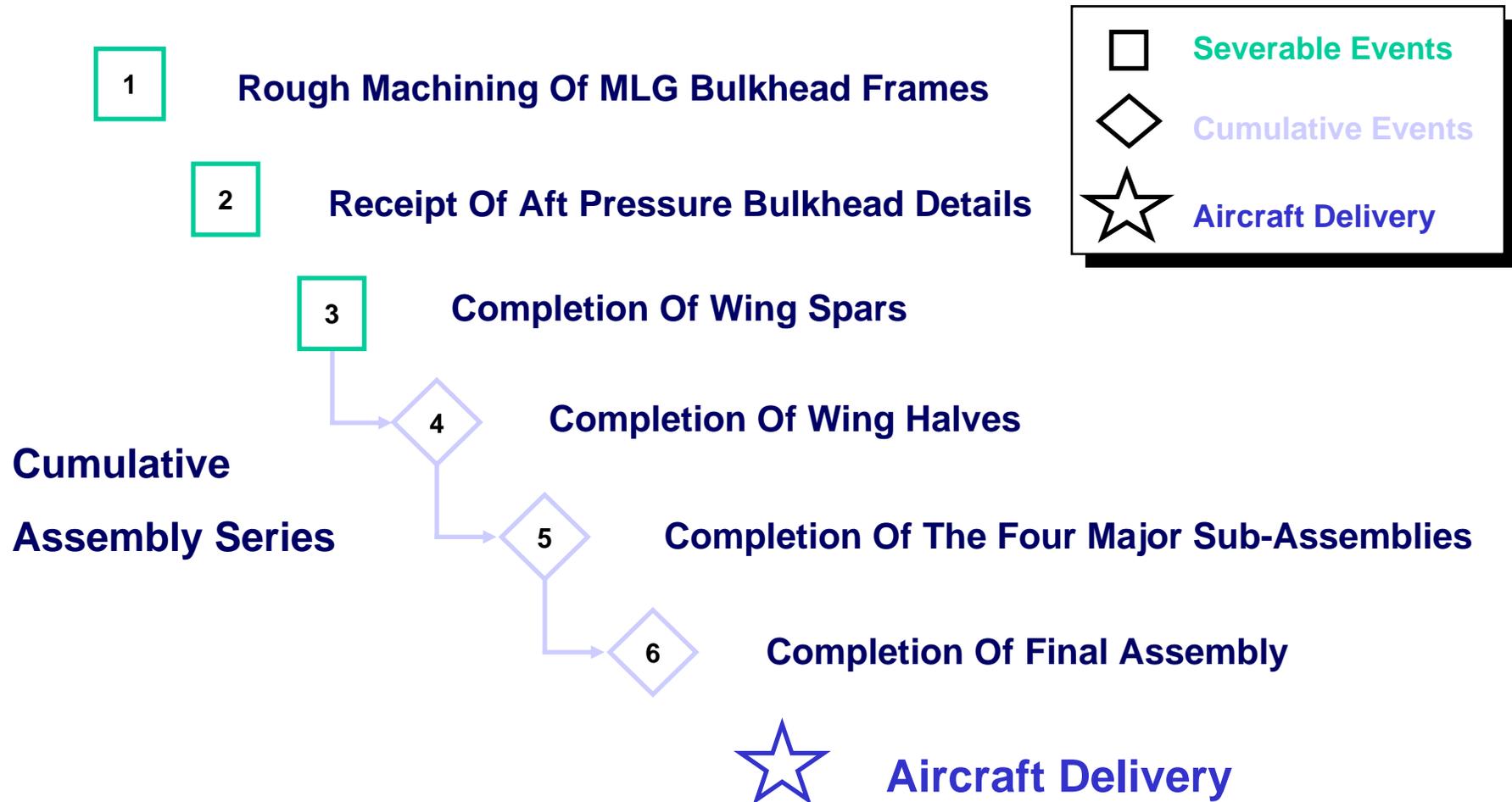
DFARS Case 2003-D009, Payment and Billing Instructions

(<http://www.acq.osd.mil/dpap/dfars/changes.htm>)

- Requires that payment instructions be provided for all contracts that...
 - Include contract line items funded by multiple ACRNs
 - Contain cost-reimbursement line items, or
 - Authorize financing payments
- Provides a standard list the contracting officer can select from for inclusion in section G
- Relocates information to the new DFARS companion resource - Procedures, Guidance, and Information (PGI)

- **Fixed-price Contracts Require Acceptance in Order to Pay Delivery Invoices**
- **Wynne Initiative Restricts Source Acceptance on Low Dollar Contracts**
- **Assure Prompt Acceptance Decisions on Destination Acceptance Items**
- **Promote Electronic Acceptance Where Possible**

- **The Preferred Form of Contract Financing (FAR 32.1001)**
- **PBPs Expected to Be the Most Prevalent Form of Contract Financing**
- **Incentivize Performance Rather than Cost**
- **However, Success Requires More Advance Planning than Progress Payments**



- **Payment Problems Result when PCOs Misunderstand Liquidation Process**
- **MOCAS Liquidates Financing Payments Automatically from Delivery Payments**
- **Some PCOs Include Deliverables in PBP Events and Exceed FAR 90% Limit**
- **This Prevents MOCAS from Liquidating Properly**
- **Contract Will Not Close**

- Higher DFAS per-Invoice Fees
- Hourly Reconciliation Charge
- Prompt Payment Interest Penalties
- Negative ULOs and Unmatched Disbursements
- Contract Closeout Delays

- **DCMA and DFAS Are Stakeholders in Successful Contract Execution**
- **Both Agencies Can Advise You on Planned:**
 - **Complex, High-visibility Contracts**
 - **Contracts with Unusual Structures or Provisions**
- **We Can Predict How Such Contracts Are Likely to Fare after Award**
- **Contact:**
 - **Brenda Locke, 614-693-8088**
 - **John Heston, 614-693-4969**



- www.dod.mil/dfas
 - Contractor Payment Information Booklet
 - Vendor Pay Inquiry System (VPIS) Information
 - Workload Statistics
- **EC / EDI Initiatives**
 - ecweb.dfas.mil
- **Customer Information Guide (CIG)**
 - Available on CD
 - 1.800.756.4571, Option #6

- **DCMA Payment and Finance Site**
 - **At: <http://home.dcma.mil/> Then Click: Site Index: DFAS Columbus Center Information**

- **MOCAS Bulletin Board**
 - **At: <http://mocasbb.dcmdw.dcma.mil/>**

- **AFMC Payment Instruction Guide**
 - **At: <http://www.afmc-pub.wpafb.af.mil/HQ-AFMC/PK/pkp/pkpc/payment.htm>**
 - **Scroll to Bottom**

- **DFAS Cleveland Site**
 - **<https://dfas4dod.dfas.mil/centers/dfascl/mocasliaison/financialservices.htm>**
 - **Draft Navy Contract Writing Guide under References**