

Contract Administration

Activity 45: Invoices

Procedures for processing a contractor's bill or written request for payment under the contract for supplies delivered or services performed.

Related Flow Charts: [Flow Chart 45](#)

Tasks	FAR Reference(s)	Additional Information
1. Examine the invoice for completeness, and notify the contractor of any defects.	FAR 32.905 Payment documentation and process. FAR 52.213-1 Fast Payment Procedures.	Ensure that the billing office has annotated the actual date of receipt. This step may not be necessary if the agency has Invoice Processing Platform (IPP) or some other electronic platform for processing invoices. Identify any missing elements required by FAR 32.905(e) or FAR 52.213-1(c) (as applicable). Notify the contractor of any defects in the invoice within seven calendar days (three days on contracts for meat, meat products, or fish; or five days on contracts for perishable agricultural commodities, dairy products, edible fats or oils) after receipt of the invoice at the designated billing office to avoid interest penalties under the Prompt Payment Act.
2. Identify the terms and conditions of the contract that bear on the amount to be paid.	FAR 32.905 Payment documentation and process.	Applicable terms and conditions include price, type of contract, payment, period for constructive acceptance, discounts, liquidated damages, labor law requirements.

Tasks	FAR Reference(s)	Additional Information
<p>3. Consider documents and determinations that bear on the amount to be paid.</p>	<p>FAR 32.905 Payment documentation and process.</p>	<p>Examples include:</p> <ul style="list-style-type: none"> • Inspection or receiving report forms or commercial shipping documents and packing lists; • Documentation on the application of remedies, such as liquidated damages or rejection of work; • Determinations on billing rates, final indirect cost rates, and on the allowability of invoiced costs; • Reports on contractor indebtedness; • Adjustments to liquidation rates or reductions in commercial financing, advance, progress, or performance-based payments; • Interim or final adjustments to the contract price; • Contract modifications; • Contracting officer's final decision on a claim; and • Termination settlements. <p>Use Appendix A to identify items that must be deducted or withheld. Examine related documents to determine the correct amount to deduct or withhold.</p>

Tasks	FAR Reference(s)	Additional Information
<p>4. Determine whether an assignee is protected from the deduction or withholding.</p>	<p>FAR 32.804 Extent of assignee's protection.</p>	<p>Except as provided in the paragraph below, the inclusion of a no-setoff commitment in an assigned contract entitles the assignee to receive contract payments free of reduction or setoff for:</p> <ul style="list-style-type: none"> • Any liability of the contractor to the Government arising independently of the contract; and • Any of the following liabilities of the contractor to the Government arising from the assigned contract: <ul style="list-style-type: none"> ○ Renegotiation under any statute or contract clause; ○ Fines; ○ Penalties, exclusive of amounts that may be collected or withheld from the contractor under, or for failure to comply with, the terms of the contract; ○ Taxes or social security contributions; or ○ Withholding or nonwithholding of taxes or social security contributions. <p>In some circumstances, a setoff may be appropriate even though the assigned contract includes a no-setoff commitment, for example:</p> <ul style="list-style-type: none"> • When the assignee has neither made a loan under the assignment nor made a commitment to do so; or • To the extent that the amount due on the contract exceeds the amount of any loans made or expected to be made under a firm commitment for financing.
<p>5. Perform or verify the mathematical computations required to determine the total amount due the contractor.</p>	<p>FAR 32.905 Payment documentation and process.</p>	<p>Calculate the amount owed the contractor under the invoice.</p>

Tasks	FAR Reference(s)	Additional Information
<p>6. Contact the contractor to discuss any differences between the amount of the submitted invoice and the amount that the Government proposes to pay.</p>	<p>FAR 32.905 Payment documentation and process. FAR 32.907 Interest penalties.</p>	<p>During the discussion:</p> <ul style="list-style-type: none"> • Accurately present all factual data that justifies the difference between the invoiced amount and the amount that the Government proposed to pay. • Provide contractor representatives an opportunity to present their position. • Ensure that the contractor’s management is aware of any continuing invoicing problems.
<p>7. Submit invoice for payment, and monitor the payments.</p>	<p>FAR 32.904 Determining payment date. FAR 32.907 Interest penalties.</p>	<p>Document the decision on the amount to pay against the invoice. Alternatives generally include:</p> <ul style="list-style-type: none"> • Pay in full; • Pay in part, after written notice to the contractor specifying the deductions and/or withholdings; or • Reject the invoice and return it to the contractor for correction and resubmission, specifying the reason. <p>Submit the correct invoice to the disbursing official timely manner (within the meaning of the Prompt Payment Act).</p> <p>Generally, invoice payments should be made by the later of the following two events:</p> <ul style="list-style-type: none"> • The 30th day after the designated billing office receives a proper invoice from the contractor. • The 30th day after Government acceptance of supplies delivered or services performed. <p>Interest penalties are not required on payment delays due to disagreement between the Government and 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.</p> <p>This may not be a manual process but rather handled through IPP or some other electronic invoice processing system.</p>

Appendix A: Table of Deductions From Invoiced Amounts

When:	Deduct:	FAR Reference:
Administering fixed-price contracts	Invoiced items that have not been delivered and accepted.	52.232-1 and
	Invoiced prices that exceed the contract price for the supplies or services.	52.232-2
	Invoiced partial payments when the amount due on the deliverables is less than \$1,000 or 50% of contract price.	
	Invoiced amounts for “extras.”	52.232-11
	Discounts for early payment.	52.232-25
	State and local taxes, by furnishing the contractor with an evidence of any exemption from such taxes.	52.229-1
	After-relieved Federal or foreign taxes.	52.229-3 through
	The amount of any Federal excise tax or duty (except social security or other employment taxes) that the contractor is required to pay or bear, or does not obtain a refund of, through the contractor's fault, negligence or failure to follow the Contracting Officer's instructions.	52.229-7
Billed for transportation costs	Improperly supported reimbursement for transportation charges.	52.247-1
Modifying the contract	Unilateral or bilateral downward adjustments to the contract price (including adjustments that result from the resolution of performance problems).	Part 43 and 52.243-1 through 52.243-7

When:	Deduct:	FAR Reference:
Implementing special contract remedies	Liquidated damages, such as those under the: <ul style="list-style-type: none"> • Liquidated Damages – Supplies, Services, or • Research and Development clause (FAR 52.211-11); • Liquidated Damages – Small Business Subcontracting Plan clause (FAR 52.219-16); or • Contract Work Hours and Safety Standards Act – Overtime Compensation (FAR 52.222-4(b)). 	52.211-11, 52.219-16 and 52.222-4
	Unpaid wages, such as those under the: <ul style="list-style-type: none"> • Contract Work Hours and Safety Standards Act— Overtime Compensation clause (FAR 52.222-4). • Service Contract Labor Standards (FAR 52.222-41). 	52.222-4 and 52.222-41