

CHAPTER 4. COMMERCIAL VOUCHERS - CONTRACTS

1. GENERAL. The awarding of a contract is the responsibility of the contracting officer. When payment of an invoice appears questionable under terms of a contract, a statement will be obtained from the contracting officer explaining the circumstances.
2. CONTRACT FILE. The accounting office shall obtain the contract and all appropriate documentation related to the contract from the contracting officer. The contract is usually composed of a Face Sheet, Schedule (Contract Specifications), and General Provisions (SF 32, etc.). The contract file shall also contain:
  - a. Any other documentation which affects price, quality, delivery time, contract specifications, conditions or renewal of the contract.
  - b. Corporate surety bonds, where required by the contract.
  - c. Contract findings and determinations in support of the award action, and SF 1306, Statement and Certificate of Award.
  - d. Appropriate interpretations and regulations concerning the contract.
  - e. Notice of Assignment, if applicable.
3. INCONSISTENCIES BETWEEN SCHEDULE AND GENERAL PROVISIONS. If there are inconsistencies between the Contract Schedule and General Provisions, and any other conditions, the Schedule and the General Provisions shall control. Any inconsistencies between the Schedule and General Provisions are resolved by the order of procedure clause in the contract. If no such clause is present, the Schedule will control.
4. CONTRACTING OFFICERS. Maintain a list of contracting officers in the accounting office who are authorized to execute contracts or agreements.
5. ADVANCE PAYMENTS. Advance payments to small businesses are permitted under contracts for property or service. Premiums on surety bond contracts may also be paid in advance. The contract will cite the legal authority for the advance payment arrangement. In the case of small business contracts, determine that advance payments do not exceed the unpaid contract amount.

6. PROGRESS PAYMENTS. When specified in the contract schedule, progress payments may be made under a contract. The aggregate amount of the progress payments shall not exceed the amount provided by the terms of the contract. Verify that periodic estimates, or such other documents used for progress payments contain the administrative certification of the applicable project manager, inspector, or engineer in charge and is approved by the contracting officer.
7. HOLDBACKS. Contract holdbacks are amounts withheld from each payment due the contractor for the purpose of accumulating sufficient amounts to be used as assurance or safeguard that the contractor will perform the work in accordance with the contract requirements. Upon completion, inspection and acceptance of the project, without penalty to the contractor, the holdback is paid to the contractor. Generally, the holdback is the amount withheld from the contractor's progress payment vouchers by applying a percentage factor as specified in the contract.
8. LIQUIDATED DAMAGES. If a contract provides a liquidated damage clause, deductions concurred in by the contracting officer shall be made from contractor's invoices for delays in performance beyond the specified date of the contract. The basis of calculating the deduction shall be clearly set forth on the voucher. The deductions should be made regardless of whether the Government was actually damaged and should remain to the credit of the appropriation in the event the contractor, at a later date, presents a valid claim for remission of the amount due.
9. EXAMINATION.
  - a. Contract. Determine that:
    - (1) A contract number is assigned and any supplementals, contract amendments, change orders, renewals, etc., are identified with the basic contract by reference to the contract number.
    - (2) The contract is complete as to date and required signatures of both parties to the contract.
    - (3) Mathematical computations in the contract are correct.
    - (4) Any surety coverage required of the contractor is attached to the contract, or the contractor has an amount on deposit with DOT to cover the bid.

- (5) For all contracts let after October 1, 1982, the contract should contain:
  - (a) Invoice requirements (par. 3c, Chapter 2).
  - (b) Receiving report requirements (par. 7b, Chapter 2).
  - (c) Payment provisions (par. 14d, Chapter 2).
- b. Contract Payments. Prior to making payments under a contract or agreement, determine that the billing and subsequent payment are in accordance with the terms and conditions of the contract or agreement and:
  - (1) Compare unit prices and quantities of material purchases, or charges for services, on the contractor's invoice to the contract or agreement, including all amendments or change orders.
  - (2) Match the contractor's invoice to the receiving report to assure that the supplies delivered and accepted, or services rendered and accepted, are one and the same.

NOTE: Contract schedule may specify that payment may be made upon inspection and acceptance of equipment at the contractor's plant without first having to make a delivery.
  - (3) Compare the receiving report or other appropriate documentation to the contract to assure that supplies or services received are the same as those specified in the contract.
  - (4) Verify that the contractor's invoice has the title and signature of the person authorized to certify for the contractor, if required by the contract.
  - (5) Determine that the mathematical computations on the contractor's invoice are correct.
  - (6) Determine that any progress payments permitted under the contract meet the criteria established in paragraph 6 of this chapter.
  - (7) Determine that reimbursable transportation charges paid by the contractor are itemized in the invoices.

- (8) Determine the amount of the withholding of any payment for nondelivery or holdback as provided for in paragraphs 7 and 8 of this chapter.
- (9) Verify before final payment is made that the proper contractor's releases have been obtained from the contracting officer.
- (10) Verify before final payment is made under cost plus fixed fee and cost plus incentive contracts that the final audit report of the contract has been received.
- (11) Verify before final payment that all necessary adjustments have been made in the contract price.