



MAY THE CLAUSE BE WITH YOUSM

Payment Clauses

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Payment Clauses

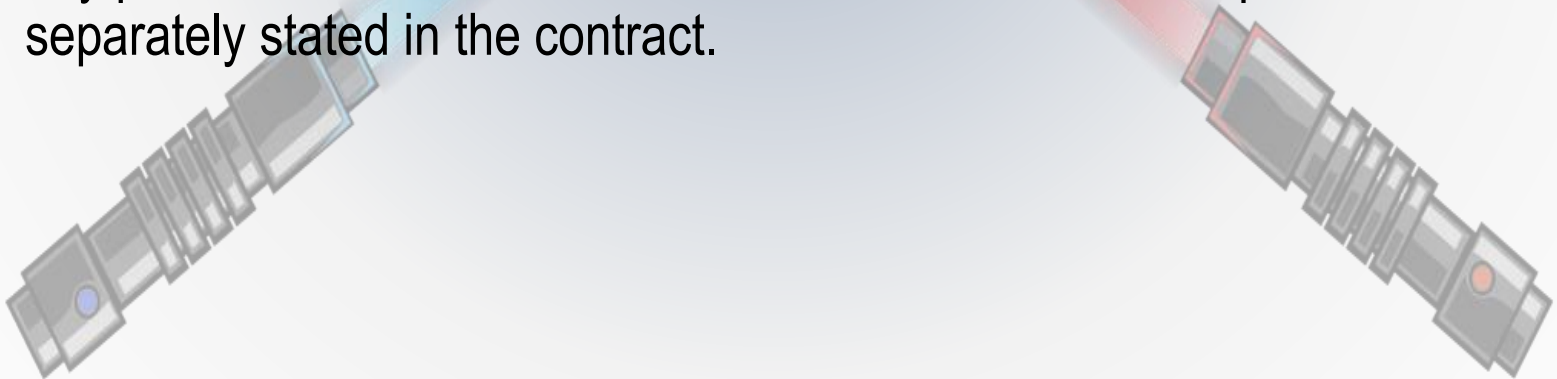
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52.232-1, Payments

- Prescribed by FAR 32.111(a)(1)
- Use when a fixed-price supply contract, a fixed-price service contract, or a contract for nonregulated communication services is contemplated
- The Government shall pay the Contractor, upon the submission of proper invoices or vouchers, the prices stipulated in this contract for supplies delivered and accepted or services rendered and accepted, less any deductions provided in this contract.
- Unless otherwise specified, payment shall be made on partial deliveries accepted by the Government if --
 - The amount due on the deliveries warrants it; or
 - The Contractor requests it and the amount due on the deliveries is at least \$1,000 or 50 percent of the total contract price.

52.232-2, Payments under Fixed-Price Research and Development Contracts

- Prescribed by FAR 32.111(a)(2)
- Use when a fixed-price research and development contract is contemplated:
 - The Government shall pay the Contractor, upon submission of proper invoices or vouchers, the prices stipulated in this contract for work delivered or rendered and accepted, less any deductions provided in this contract.
 - Unless otherwise specified, payment shall be made upon acceptance of any portion of the work delivered or rendered for which a price is separately stated in the contract.



52.232-3, Payments under Personal Services Contracts

- Prescribed by 32.111(a)(3)
- Used when acquiring Personal Services
- The Government shall pay the Contractor for the services performed by the Contractor, as set forth in the Schedule of this contract, at the rates prescribed, upon the submission by the Contractor of proper invoices or time statements to the office or officer designated and at the time provided for in this contract.
- The Government shall also pay the Contractor –
 - A per diem rate in lieu of subsistence for each day the Contractor is in a travel status away from home or regular place of employment in accordance with Federal Travel Regulations as authorized in appropriate Travel Orders; and
 - Any other transportation expenses if provided for in the Schedule.

52.232-4, Payments under Transportation Contracts and Transportation-Related Services Contracts

- Prescribed by FAR 32.111(a)(4)
- Used in solicitations and contracts for transportation or transportation-related services
- The Government shall pay the Contractor upon the submission of properly certified invoices or vouchers, the amount due for services rendered and accepted, less deductions, if any, as herein provided.

52.232-5, Payments under Fixed- Price Construction Contracts

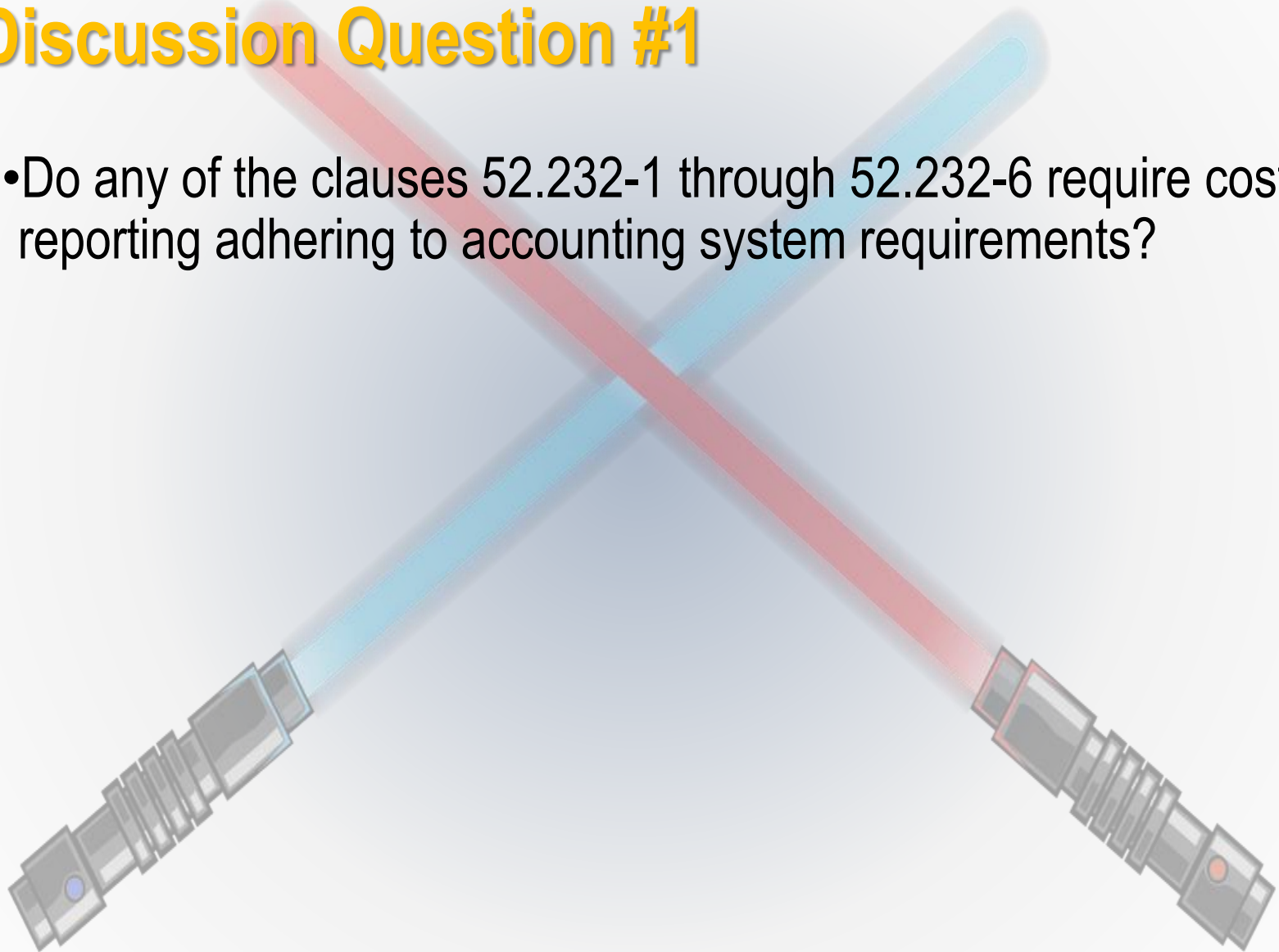
- Prescribed in 32.111(a)(5)
- The Government shall pay the Contractor the contract price.
- The Government shall make progress payments monthly as the work proceeds, or at more frequent intervals as determined by the CO, on estimates of work accomplished which meets the standards of quality established under the contract, as approved by the CO.
- Progress payments on undefinitized work shall not exceed 80 percent.
- Interest unearned amounts shall be computed at the rate of average bond equivalent rates of 91-day Treasury bills and deducted from the next available payment to the Contractor.

52.232-5, Progress Payment Specifics

- Progress payment requests require specific substantiation
- Progress payment requests require Contractor Certification
- Refund of unearned amounts
- Retainage – CO may retain a maximum of 10% for unsatisfactory progress
- Title, liability, and reservation of rights transferred to the Government
- Reimbursement for bond premiums does not allow for retainage
- Final payment:
 - The Government shall pay the amount due the Contractor under this contract after completion and acceptance of all work;
 - The presentation of a proper invoice and a proper release.

Discussion Question #1

- Do any of the clauses 52.232-1 through 52.232-6 require cost reporting adhering to accounting system requirements?



52.232-6, Payment Under Communication Service Contracts with Common Carriers

- Prescribed by FAR 32.111(a)(6)
- For contracts for regulated communication services by common carriers
- The Government shall pay the Contractor, in arrears, upon submission of invoices for services and facilities furnished in accordance with the terms of communication service authorizations (CSAs) issued under this contract, the rates and charges for the services and facilities as set forth in the clause entitled “Rates, Charges and Services.”



52.232-7, Payments under Time-and-Materials and Labor-Hour Contracts

- Clause specifies how payments will be made for both the Time and Materials elements of the contract.
- Prescribed in FAR 32.111(a)(7)
- The Government will pay the Contractor upon the submission of vouchers approved by the CO or the authorized representative
- Labor:
 - Hourly rate prescribed in the contract for payment for labor that meets the labor category qualifications of a labor category specified in the contract that are:
 - Performed by the Contractor;
 - Performed by the Subcontractors; or
 - Transferred between divisions, subsidiaries, or affiliated of the Contractor under a common control.
 - Hourly rates are fully burdened

52.232-7, Labor continued...

- Vouchers may be submitted not more than once every two weeks, to the CO or authorized representative. A small business concern may receive more frequent payments
- The Contractor shall substantiate vouchers (including any subcontractor hours reimbursed at the hourly rate in the schedule) by evidence of actual payment and by—
 - Individual daily job timekeeping records;
 - Records that verify the employees meet the qualifications for the labor categories specified in the contract; or
 - Other substantiation approved by the CO
- The CO may require a withhold of 5 percent of the amounts due but the total amount withheld shall not exceed \$50,000
- No overtime rate assumed. If the Schedule provides rates for overtime, the premium portion of those rates will be reimbursable only to the extent the overtime is approved by the CO

52.232-7, Materials...

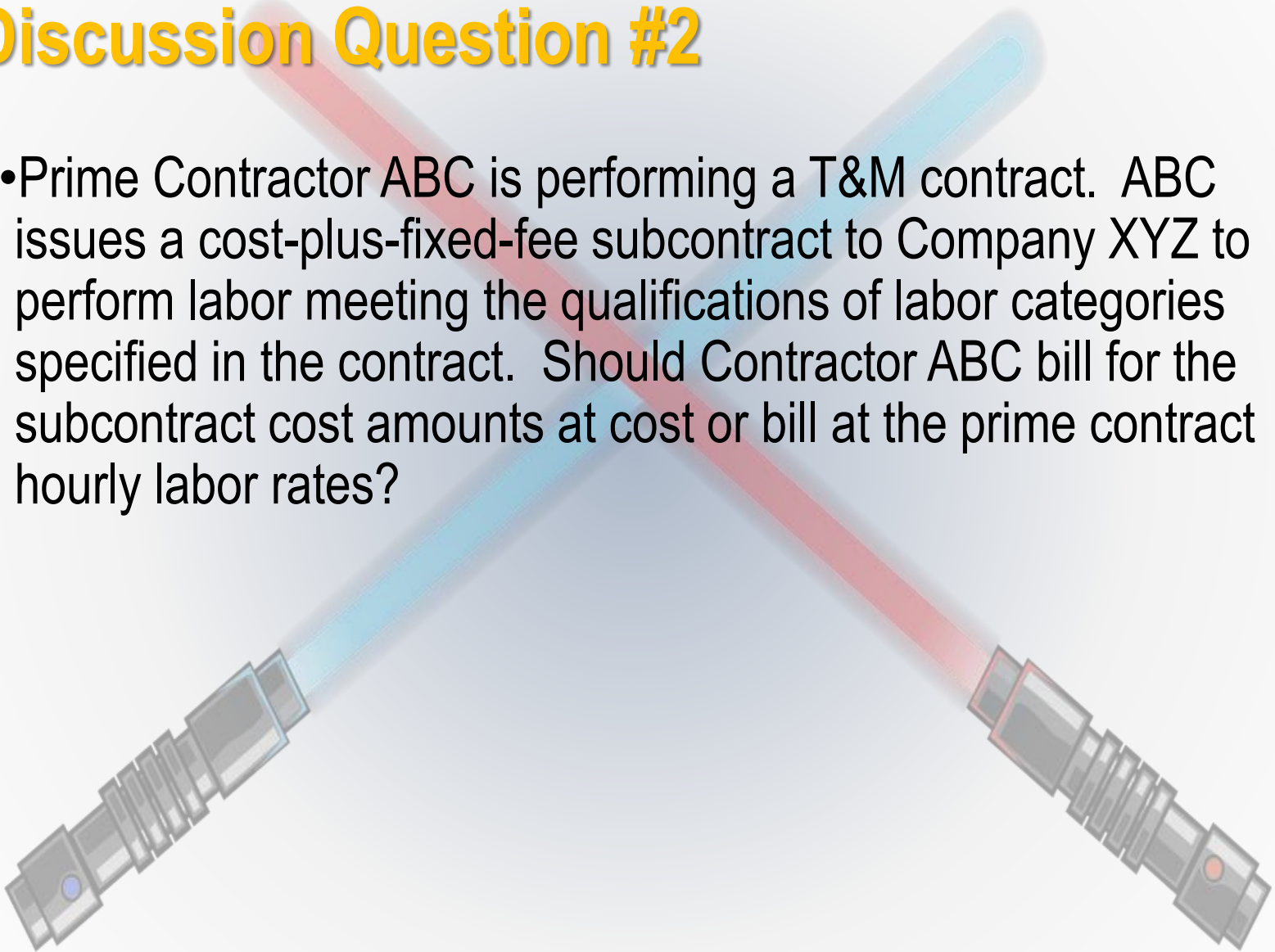
- Direct materials are incorporated directly into the end product, or that are used or consumed directly in connection the end product or service.
- Material cost includes:
 - Includes supplies transferred between divisions, subsidiaries, or affiliates of the Contractor under a common control;
 - Subcontracts for supplies and incidental services for which there is not a labor category specified in the contract;
 - Other direct costs
 - Applicable indirect costs.
- Commercial items – If the Contractor furnishes its own materials that meet the definition of a commercial item, the price to be paid for such materials shall not exceed the Contractor's established catalog or market price, adjusted to reflect the quantities being acquired; and the actual cost of any modification necessary because of contract requirements.
- Payment for materials is subject to the Allowable Cost and Payment clause of this contract. The Contracting Officer will determine allowable costs of materials in accordance with Subpart 31.2 of the Federal Acquisition Regulation (FAR) in effect on the date of this contract.

52.232-7, Materials continued...

- Allocable indirect costs and other direct costs to the extent they are comprised only of costs that are clearly excluded from the hourly rate and are allocated in accordance with the Contractor's written or established accounting practices; and indirect costs are not applied to subcontracts that are paid at the hourly rates.
- Material prices and credits:
 - obtain materials at the most advantageous prices
 - take all cash and trade discounts, rebates, allowances, credits, salvage, commissions, and other benefits.
 - When unable to take advantage of the benefits, the Contractor shall promptly notify the CO give the reasons.
 - give credit to the Government for cash and trade discounts, rebates, scrap, commissions, and other amounts that have accrued, or would have accrued except for the fault or neglect of the Contractor.
 - Except as provided for in 31.205-26(e) and (f), the Government will not pay profit or fee to the prime Contractor on materials.

Discussion Question #2

- Prime Contractor ABC is performing a T&M contract. ABC issues a cost-plus-fixed-fee subcontract to Company XYZ to perform labor meeting the qualifications of labor categories specified in the contract. Should Contractor ABC bill for the subcontract cost amounts at cost or bill at the prime contract hourly labor rates?



52.232-7, Consent Requirements

- Any subcontract that requires consent under FAR 52.244-2, Subcontracts, the Government is not required to reimburse the Contractor for costs incurred prior to the date the Contractor obtains the required consent.
- Any reimbursement of subcontract costs incurred prior to the date the consent was obtained shall be at the sole discretion of the Government.



52.232-7 - Total Cost Limitations

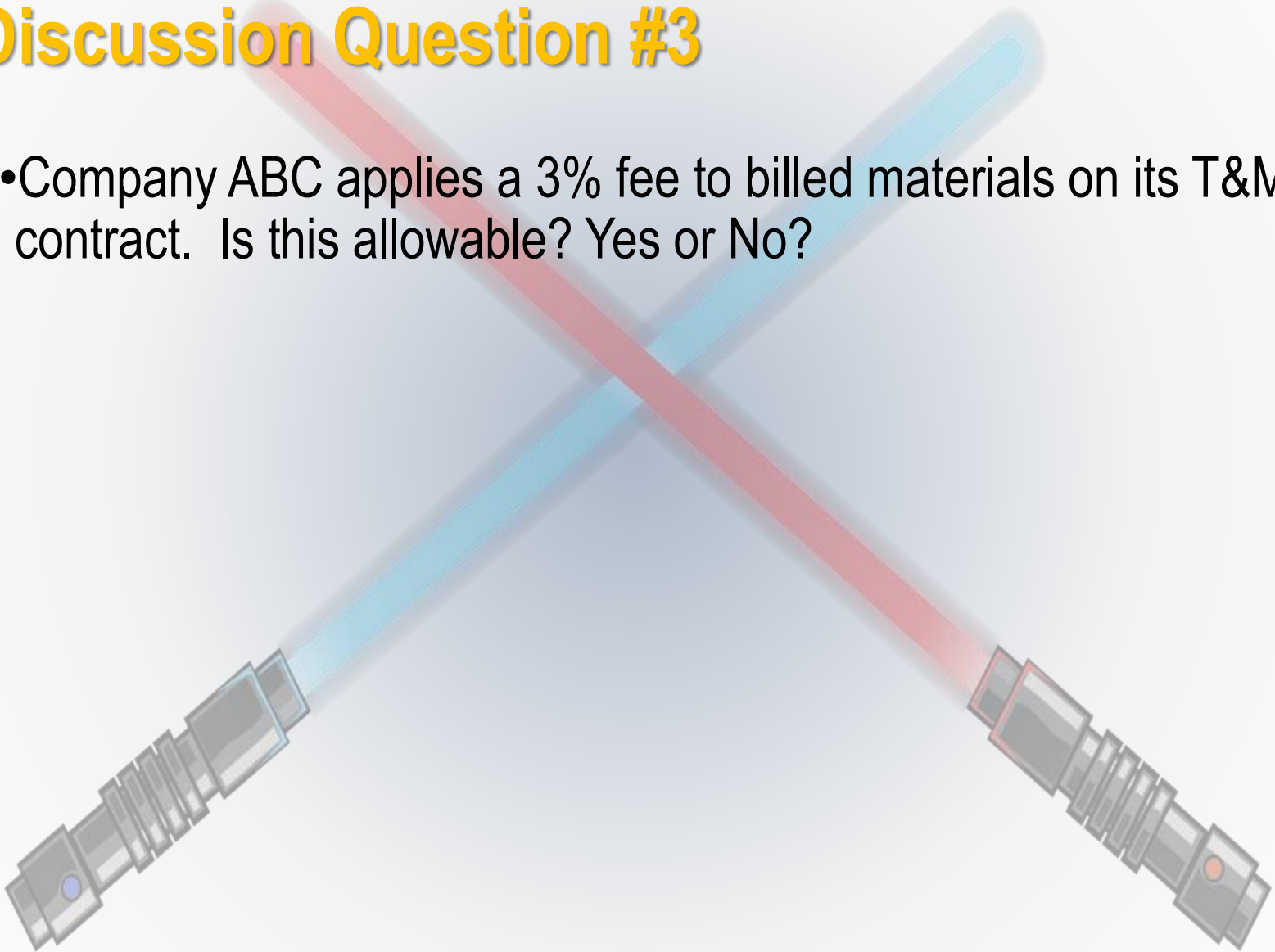
- Total cost shall not exceed the ceiling price
 - Contractor agrees to use its best efforts to perform the work specified in the Schedule
 - Limitation of cost and funds - 30 days and 85
- The Government will not be obligated to pay the Contractor any amount in excess of the ceiling price and the Contractor shall not be obligated to continue performance if to do so would exceed the ceiling price set forth
- Any hours and material costs incurred by the Contractor in excess of the ceiling price before an increase shall be allowable to the same extent as if the hours and material costs had been incurred after the increase in the ceiling price

52.232-7 – Other Items...

- Audit - At any time before final payment the CO may request audit of the invoices or vouchers and supporting documentation
- 120 days to submit “completion voucher” and release of claims
- Interim payments are contract financing payments and are not subject to the interest penalty provisions of the Prompt Payment Act

Discussion Question #3

- Company ABC applies a 3% fee to billed materials on its T&M contract. Is this allowable? Yes or No?



52.232-10, Payments under Fixed-Price Architect-Engineer Contracts

- Prescribed by FAR 32.111(c)(1)
- Payments under Fixed-Price Architect-Engineer Contracts
- Monthly estimates of the amount and value of the work and services performed by the Contractor under this contract which meet the standards of quality established under this contract. The estimates, along with any supporting data shall be prepared and submitted along with the voucher
- The Government shall pay the voucher as approved by the CO or authorized representative
- Withholding of up to 10% only if the CO determines that such a withholding is necessary to protect the Government's interest and ensure satisfactory completion of the contract

52.232-10, Payment Completion

- Upon satisfactory completion by the Contractor and final acceptance by the CO of all the work under the “Statement of Architect-Engineer Services”, the Contractor will be paid the unpaid balance of any money including all withheld amounts.
- Needs a release of claims
- Progress payments on undefinitized work shall generally not exceed 80 percent

Thank you for your time!

- Call or reach out with any questions:

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