



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

FEB 27 2015

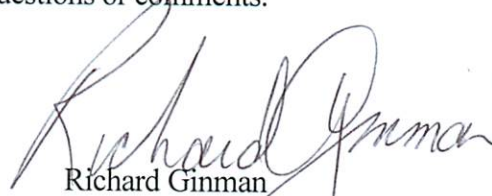
MEMORANDUM FOR COMMANDER, UNITED STATES SPECIAL OPERATIONS
COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES TRANSPORTATION
COMMAND (ATTN: ACQUISITION EXECUTIVE)
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(ACQUISITION AND PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING)
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Accounting and Reporting Contract Finance Payments

This memorandum forwards the attached policy established by the Deputy Chief Financial Officer, "Accounting and Reporting Contract Finance Payments," on October 9, 2014, for your awareness. This policy is also on the DPAP website at <http://www.acq.osd.mil/dpap/policy/policyvault/USA005850-14-DPAP.pdf>. It is important to emphasize that continued collaboration and communication between the finance and contracting communities is critical to the success of this policy change. Successful implementation is critical to achieving a clean audit opinion and improving our end to end process.

DPAP has been piloting a technical approach to automatic distribution of contract actions to the appropriate accounting system for recording of the obligation. Components should contact my action officer listed below to participate in the data routing pilot. To date, we have met with Army, Air Force and Washington Headquarters Services financial management staffs.

My action officer regarding these policies and processes is Bruce Propert, 703-697-4384, or david.b.propert2.civ@mail.mil, if you have any questions or comments.


Richard Ginman
Director, Defense Procurement
and Acquisition Policy

Attachment:
As stated



OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

OCT 9 2014

COMPTROLLER


MEMORANDUM FOR ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Accounting and Reporting Contract Financing Payments

The purpose of this memorandum is to clarify the proper accounting and reporting of Contract Financing Payments (CFPs). CFPs are authorized government disbursements to a contractor prior to acceptance of supplies or services by the government. Effective immediately, progress payments, performance-based payments, and commercial interim payments for goods on fixed price contracts and interim payments under cost reimbursement contracts, except services, should no longer be recorded as Advances and Prepayments-Outstanding Contract Financing Payments (General Ledger Account Code (GLAC) 141000.0200). The aforementioned CFPs must be recorded in the appropriate general ledger account (i.e., Construction in Progress (GLAC 172000.0200), Internal Use Software in Development (GLAC 183200.9000), Inventory Work in Process (GLAC 152600.9000), or as Operating Expenses/Program Costs (GLAC 610000.9000)). Please refer to the attached matrix that describes the different financing payments and associated accounting treatment.

Components should collaborate with the servicing contracting office to examine the contract terms, to clearly identify goods and services to be delivered, and to determine the funding to be applied. This process will assist in determining the appropriate accounting treatment and the appropriate account to be used in recording all CFPs. When recording CFPs, Components should ensure the corresponding contract number, line items, and applicable accounting classification reference numbers are recorded in the accounting system, contract management system, and payment systems of record.

This policy will be incorporated in the next published update to the Department of Defense Financial Management Regulation, Volume 4, Chapter 5. My point of contact is Ms. Maryla Engelking, at maryla.e.engelking.civ@mail.mil or (703) 571-1657.



Mark E. Easton
Deputy Chief Financial Officer

Attachment:
As stated

Contract Financing Payments Matrix

| Contract Type | Payment Type | FAR Clause | Accounting Treatment | | | |
|---|---|---|--|-----------|-------------|-------------|
| | | | Goods | Financing | Services | Financing |
| Fixed Price | Advance payment | 52.232-12, Advance Payments (Note 1) | 141000.0200 | Yes | 141000.0200 | Yes |
| | Performance based payment | 52.232-32, Performance-Based Payments | 152600.9000, 172000.0200, or 183200.9000 | Yes | 610000.9000 | Yes |
| | Commercial advance payment | 52.232-29, Terms for Financing of Purchases of Commercial Items (Note 2) | 141000.0200 | Yes | 141000.0200 | Yes |
| | Commercial interim payment | 52.232-29, Terms for Financing of Purchases of Commercial Items (Note 2) | 152600.9000, 172000.0200, or 183200.9000 | Yes | 610000.9000 | Yes |
| | Commercial installment payment | 52.232-30, Installment Payments for Commercial Items (Note 3) | 152600.9000, 172000.0200, or 183200.9000 | Yes | 610000.9000 | Yes |
| | Progress payment based on cost | 52.232-16, Progress Payments | 152600.9000, 172000.0200, or 183200.9000 | Yes | 610000.9000 | Yes |
| | Progress payment based on percentage or stage of completion | 52.232-5, Payments Under Fixed-Price Construction Contracts | 152600.9000, 172000.0200, or 183200.9000 | Yes | 610000.9000 | Yes |
| Cost Reimbursement (excluding Labor Hour and Time & Material) | Interim Payment | 52.216-7, Allowable Cost and Payment | 172000.0200 | Yes | 610000.9000 | No (Note 4) |
| | Advance payment | 52.232-12, Advance Payments, Alt II (Notes 1 and 5) | 141000.0200 | Yes | 141000.0200 | Yes |
| Time and Materials | Interim Payment | 52.232-7 – Payments Under Time-and-Materials and Labor-Hour Contracts and 52.216-7 Allowable Cost and Payment | 183200.9000 or 610000.9000 | Yes | 610000.9000 | No (Note 4) |
| Labor Hour | Interim Payment | 52.232-7 – Payments Under Time-and-Materials and Labor-Hour Contracts | N/A | N/A | 610000.9000 | No (Note 4) |
| Note 1: And Alternates as applicable, except for specific rules pertaining to Alt II, shown. | | | | | | |
| Note 2: Commercial advance payments and commercial interim payments are defined as contract financing in 32.202-1 and 32.202-2. | | | | | | |
| Note 3: Not listed among types of contract financing payments in 32.001, but referred to as such in 52.232-30 paragraph (a). | | | | | | |
| Note 4: The definition of contract financing payments at 32.001 excludes interim payments on a cost reimbursement contract for services. | | | | | | |
| Note 5: Cost type contracts with Advance Payments can have two types of financing, depending on whether the interim payments are financing (see Note 4), as the terms of the 52.216-7 clause still apply to the interim payments. | | | | | | |

Attachment

General Ledger Accounts

| | |
|-----------------------|--|
| Account Title | Construction in Progress (CIP) |
| Account Number | 172000.0200 |
| Definition | The amount of direct labor, direct material, and overhead incurred in the construction of general property, plant and equipment (except for information technology software) for which the Federal agency will be accountable. Upon completion, these costs will be transferred to the proper capital asset account as the acquisition cost of the item. This account does not close at yearend. |

| | |
|-----------------------|---|
| Account Title | Internal Use Software in Development |
| Account Number | 183200.9000 |
| Definition | The full cost amount incurred during the software development stage of (1) contractor-developed software, and (2) internally developed software, (as defined in FASAB SFFAS No. 10, "Accounting for Internal Use Software"). Upon completion, these costs will be transferred to USSGL account 1830, "Internal Use Software." This account does not close at yearend. |

| | |
|-----------------------|--|
| Account Title | Inventory Work in Process |
| Account Number | 152600.9000 |
| Definition | The accumulated cost or value of inventory used in the production process. Work-in-process inventory includes the cost of raw materials, direct labor, and overhead. Upon completion, these costs will be transferred to the proper capital asset account as the acquisition cost of the item. This account does not close at yearend. |

| | |
|-----------------------|---|
| Account Title | Advances |
| Account Number | 141000.0200 |
| Definition | The advance or prepayment amount on outstanding contract financing payments made in contemplation of the future performance of services, receipt of goods, incurrence of expenditures, or receipt of other assets. Prepayments are expenditures that are generally recurrent in nature. Upon completion, these costs will be transferred to the proper capital asset account as the acquisition cost of the item. This account does not close at yearend. |

| | |
|-----------------------|--|
| Account Title | Operating Expenses/Program Costs |
| Account Number | 610000.9000 |
| Definition | Operating expenses and program costs not otherwise classified. This account closes at yearend. |