



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS AIR FORCE MATERIEL COMMAND
WRIGHT-PATTERSON AIR FORCE BASE, OHIO

09/14/98
FL 2 641
32,503-5

2 Sep 98

MEMORANDUM FOR SEE DISTRIBUTION

FROM: HQ AFMC/PKP
4375 Chidlaw Road, Suite 6
Wright-Patterson AFB OH 45433-5006

SUBJECT: Progress Payment Distribution

1. Beginning 1 September 1998, contracts awarded with the provision for progress payments shall contain financing payment distribution instructions in Section G of the applicable instrument. Specifically, this policy applies to fixed-priced contracts other than Firm-Fixed Price when multiple appropriations are cited on the contract. This policy was issued 12 August 1998 by the Director of Defense Procurement (DDP).
2. In the attached memorandum of 28 August 1998, SAF/AQC provides general guidance for executing this new policy in conjunction with specific procedures by the Defense Contract Management Command (DCMC) for providing progress payment instructions to the paying office.
3. Good communication among the originating contracting office, the contract administration office, and the paying station (DFAS) will be essential for successful implementation of this policy.
4. The point of contact for this policy and other command-wide payment issues is Mr. Tony Armes, HQ AFMC/PKPC. He can be reached at DSN 986-0447, commercial (937) 656-0447, or e-mail: arмест@wpgate1.wpafb.af.mil.

FOR THE COMMANDER

BONNIE D. TAYLOR
Acting Chief, Contracting Policy Division
Directorate of Contracting

Attachment:
SAF/AQC Memo, 28 August 1998, w/Atch

Atch 98-6G (FAR 32) Post to FAR 32.503-5 by circling the reference and noting in the margin: "See 64 10. Atch 98-6G filed at FAR 32." Then file the Atch behind the sups to FAR 32.



DEPARTMENT OF THE AIR FORCE
WASHINGTON DC 20330-1060

Office Of The Assistant Secretary

28 Aug 1998

MEMORANDUM FOR ALMAJCOM/FOA/DRU (CONTRACTING)

FROM: SAF/AQC
1060 Air Force Pentagon
Washington, DC 20330-1060

SUBJECT: Progress Payment Distribution

On 12 August 1998, the Director of Defense Procurement (DDP) issued a memorandum (attached) requiring that payment instructions for progress payments be provided to the Defense Finance and Accounting Service (DFAS). This policy is effective for fixed-priced contracts other than Firm-Fixed Price having multiple appropriations awarded after 31 August 1998.

Since the Administrative Contracting Officer is generally responsible for administering progress payments, the Defense Contract Management Command (DCMC) will be primarily responsible for executing this new policy. Their procedures will soon be incorporated as part of the Defense Command Management Command's One Book, which is located at the web-site <http://www.dcmc.hq.dla.mil/Onebook/Index.htm>.

In some instances, Air Force Procuring Contracting Officers (PCOs) will retain contract administration authority. If so, he or she will be responsible to provide the payment instructions to the payment office in the basic contract or in a modification that precedes the request for progress payments. We suggest following DCMC's applicability criteria and instructions regarding how to distribute progress payments, referenced above.

Please note that when there are multiple ACRNs under a single appropriation, the contracting officer will further distribute the progress payment amounts by ACRN. This ACRN-level distribution will ordinarily be on a pro-rata basis, unless the contracting officer determines that another basis is appropriate. Also, distribution instructions for research and development contracts will assume that contractor work will be performed using the earliest fiscal year's funding first, unless there is information available to the contrary.

Before issuing a solicitation that will be covered by these new progress payment distribution procedures, the PCO should consider the impact of complex schedules (complicated CLIN structures, multiple ACRNs, mixed contract types, etc.) on the contract administration and payment functions. Input and advice from these functions may be appropriate. During contract administration, the PCO should cooperate with any ACO requests for additional information or assistance.

As the situation warrants, contracting officers may be required to modify their distribution instructions to ensure financing payments are distributed in accordance with the work being performed and as new appropriations are added to the contract.

Point of contract for this action is Mr. Paul A. Schill, SAF/AQCP, (703) 588-7053 or DSN 425-7053. His e-mail address is: *pschill@af.pentagon.mil*.

//signed /

TERRY L. RANEY, COL, USAF
Acting Associate Deputy Assistant Secretary
(Contracting)
Assistant Secretary (Acquisition)

Attachment:

OUSD (DDP) Memo, 12 Aug 1998



OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

August 12, 1998

ACQUISITION AND
TECHNOLOGY

DP/CPF

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT,
ASN (RD&A) / ABM
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING), SAF/AQC
ASSISTANT DEPUTY ASSISTANT SECRETARY OF THE ARMY
(PROCUREMENT) / DIRECTOR FOR CONTRACTING
SENIOR PROCUREMENT EXECUTIVE, DEFENSE
LOGISTICS AGENCY

SUBJECT: Progress Payment Distribution

Contracting officers responsible for administering progress payments shall provide progress payment distribution instructions to the contract paying office for certain new contracts awarded after August 31, 1998. This requirement applies to any fixed-price contract funded with multiple appropriations that is other than a firm fixed price contract. Contracts that are not firm fixed price, e.g., fixed-price incentive contracts, typically require adjustments to obligated funds during contract performance. Most of our contracts with progress payments are firm fixed price and do not need distribution instructions, since they do not entail this kind of adjustment.

Distribution instructions shall include sufficient information to enable the paying office to distribute progress payments from each appropriation funding the contract, in proportions that reasonably reflect the performance of the work on the contract. Instructions shall be updated as necessary. FPI contracts typically include a requirement for quarterly submittal of a contract funds status report (CFSR). The CFSR indicates funds usage by appropriation and should be used in preparing progress payment distribution instructions. Absent a CFSR, the contracting officer should use any other information available to arrive at a best estimate of how appropriations are being used to perform the contract, but it should not be necessary to require contractors to provide any additional information to support this requirement. For research and development funded contracts, contracting officers may assume contractor work will be performed using the earliest fiscal year's funding first, unless there is information available to the contrary.

The foregoing direction requires contracting officers to develop distribution instructions for each appropriation on the contract. However, paying offices maintain contract payment



records using the accounting classification reference numbers (ACRNs) that identify each long line of accounting data cited by the contract. A single appropriation may be included in more than one line of accounting data, and thus be identified by more than one ACRN. Therefore, when providing distribution instructions to the paying office, the contracting officer shall further distribute payment amounts by ACRN. This ACRN-level distribution will ordinarily be on a pro rata basis across the amount to be distributed from each appropriation, unless the contracting officer has information indicating otherwise.

My staff point of contact for this policy is Mr. Richard Brown, (703)695-7197 (e-mail: brownrg@acq.osd.mil).



Eleanor R. Spector
Director, Defense Procurement