|  |
| --- |
| CHAPTER 9: “VENDOR PAY”  SUMMARY OF MAJOR CHANGES  All changes are denoted by blue font.  Substantive revisions are denoted by a **\*** preceding the section, paragraph, table, or figure that includes the revision.  Unless otherwise noted, sections and paragraphs referenced here are contained in this chapter.  Hyperlinks are denoted by ***bold, italic, blue, and underlined font.*** |

| **PARA** | **EXPLANATION OF CHANGE/REVISION** | **PURPOSE** | **DATE** |
| --- | --- | --- | --- |
| \*Overall | Completely rewritten. | New | Apr 2016 |

**TABLE OF CONTENTS**

\*[9001 GENERAL 3](#_Toc450896819)

\*[9002 PROMPT PAYMENT BY VENDOR PAY OFFICES 3](#_Toc450896820)

\*[9003 MISCELLANEOUS PAY 4](#_Toc450896821)

\*[9004 MANAGEMENT CONTROL EVALUTION CHECKLISTS FOR VENDOR PAY OFFICES 5](#_Toc450896822)

\*[9005 VENDOR PAY OFFICE TAX REPORTING 12](#_Toc450896823)

**LIST OF FIGURES**

\*[Figure 9-1: Checklist for Miscellaneous Payment Type 6](#_Toc449518931)

\*[Figure 9-2: Checklist for Contractual Payment Type 9](#_Toc449518932)

**LIST OF TABLES**

\*[Table 9-1: Samples of Types of Miscellaneous Payments to Vendors 4](#_Toc449518935)

**CHAPTER 9**

**VENDOR PAY**

# 9001 GENERAL

900101. Purpose.

This chapter provides information about vendor pay office responsibilities per the Prompt Payment Act (PPA), miscellaneous payments to vendors, and tax reporting for vendor pay offices.

900102. Additional Resources.

This chapter is not meant to cover all aspects of vendor pay. Sources for further information about vendor payments and pay offices include:

A. [***Department of Defense Financial Management Regulation (DoD FMR) 7000.14-R***](http://comptroller.defense.gov/fmr) Volume 4, Chapter 14, and Volume 10, Chapters 6, 7, and 12.

B. [***Federal Acquisition Regulation (FAR)***](https://www.acquisition.gov/?q=browsefar).

C. [***Contractor and Vendor Payment Information Guidebook***](http://www.dfas.mil/dam/jcr:b22e2f82-835c-4b49-a18b-e7d5d1dcda43/ContractPayInformation-011110.pdf).

D. [***Defense Federal Acquisition Regulation Supplement (DFARS)***](http://farsite.hill.af.mil/vfdfara.htm).

E. [***Defense Procurement and Acquisition Policy (DPAP***) website](http://www.acq.osd.mil/dpap/pdi/eb/miscellaneous_pay.html).

F. [***Defense Finance and Accounting Service***](http://www.dfas.mil) (DFAS) website:

1. [***DoD Guidebook for Miscellaneous Payments***](http://www.dfas.mil/dam/jcr:869f9936-f83c-4857-a014-565c7d4eebd0/DoDGuidebookForMiscPayments.pdf).

2. [***Advice of Payments***](http://www.dfas.mil/contractorsvendors/latestnews/aopending.html).

3. [***DoD Accelerated Payments to Small Businesses***](http://www.dfas.mil/contractorsvendors/latestnews/smallbizpayments.html).

# 9002 PROMPT PAYMENT BY VENDOR PAY OFFICES

900201. Per the Prompt Payment Act (PPA), vendor pay offices are responsible for timely payment to all vendors and to persons (not employee civilian pay), organizations, or business concerns engaged in a profession, trade, or business and any not-for-profit entity operating as a vendor. Refer to [***DoD FMR Volume 10, Chapter 7***](http://comptroller.defense.gov/FMR/vol10_chapters.aspx) and to the Contractor and Vendor Payment Information Guidebook for more information about the PPA as it relates to vendor payments. A list of vendor pay offices is available at [***http://www.dfas.mil/contractorsvendors.html***](http://www.dfas.mil/contractorsvendors.html)***.***

900202. Acquisition policy implementing PPA provisions involving contractor/vendor payments is primarily in the [***FAR Subpart 32.9***](https://www.acquisition.gov/?q=/browse/far/32), “Prompt Payment” and the [***DFARS*** ***Subpart 232.9***](http://www.acq.osd.mil/dpap/dars/dfars/pdf/current/20160226/232_9.pdf), “Prompt Payment.”

# 9003 MISCELLANEOUS PAY

900301. An authorized miscellaneous payment is that which is not initiated by a contract or task order and is generally a one-time occurrence for which the government receives benefit. Submission and processing of miscellaneous claims for payment must be accomplished electronically unless exceptions are permitted for manual processing. Electronic submissions of miscellaneous payments may be submitted via Invoicing Receipt, Acceptance, and Property Transfer ([***iRAPT***](http://www.dfas.mil/contractorsvendors/irapt.html), formerly Wide Area Work Flow (WAWF)), Enterprise Resource Planning (ERP) systems, or other approved electronic methods.

900302. See the following sources for further information about miscellaneous pay:

A. [***Defense Procurement and Acquisition Policy website***](http://www.acq.osd.mil/dpap/pdi/eb/miscellaneous_pay.html).

B. ***DoD FMR*** [***Volume 10, Chapter 12***](http://comptroller.defense.gov/FMR/vol10_chapters.aspx) (Miscellaneous Payments).

C. [***DoD Guidebook for Miscellaneous Payments***](http://www.dfas.mil/dam/jcr:869f9936-f83c-4857-a014-565c7d4eebd0/DoDGuidebookForMiscPayments.pdf). Provides information about submission and processing of miscellaneous claims for payment. The guidebook contains appendices that provide information on specific types of miscellaneous payments to assist DoD officials who are responsible for requesting, approving, certifying, and making miscellaneous payments. The information for each type of miscellaneous payment to vendors is presented in templates, which are summarized in Table 9-1 below.

Table 9-1: Samples of Types of Miscellaneous Payments to Vendors

|  | **Name** | **Description** |
| --- | --- | --- |
| 1. | Express Mail Service, Vendor | Payment for Express mail associated to official business when Government Purchase Card (GPC) is not accepted. |
| 2. | Expert Witness Fee | Payment of fees to non-federal individuals called upon to provide expert testimony or provide specialized information relevant to the case being adjudicated. |
| 3. | Military Clothing, Vendor | Payments for authorized military clothing issues. |
| 4. | Miscellaneous Payment – Vendor | A payment request for which there is no applicable Abbreviated Payment Code. These requests may be service-specific/DoD agency-specific with infrequent use. |
| 5. | Official Representation Funds (ORF) Entertainment | Payment of ORF entertainment to non-federal entities (i.e., vendors). Used to host official receptions, dinners, and similar events. |
| 6. | ORF Gift and Mementos | Payment of ORF gift and mementos to non-federal entities (i.e., vendors). Used to host official receptions, dinners, and similar events. |
| 7. | Lease and Rental Agreements | Payment for the lease or rental of equipment by or for the Government (if there was an urgent and unforeseen public necessity and if the claim is legally payable). |
| 8. | Training and Education Expenses – Paid to Non-Federal entity (non-contract) | Payments to a vendor for training and education expenses. |
| 9. | Payments to Non-Federal Government – Intergovernmental | Payments for services rendered or items purchased for the Federal Government. |

900302. Advice of Payments (AOPs).

A. DFAS has ended hard copy Advice of Payments (AOP) for vendors and miscellaneous pay customers. Vendors now use an online myInvoice account in iRAPT (see the DFAS website for details) to receive AOP information immediately after DFAS issues the AOP to the vendor’s account. DFAS provides AOP information to miscellaneous pay customer bank accounts within seven days of receipt of the miscellaneous pay voucher.

B. Vendor invoice information for electronic funds transfer (EFT) payments is provided in the addendum record transmitted to the vendor’s financial institution. Some financial institutions charge a fee for AOP information.

# 9004 MANAGEMENT CONTROL EVALUTION CHECKLISTS FOR VENDOR PAY OFFICES

Each vendor pay office within DFAS evaluates the internal controls it uses to prevent, detect, and report improper payments and then reports evaluation results in the iControl system. Figures 9-1 and 9-2 are checklists for improper payment review (from the Post Pay Review Auditors SOP, maintained by DFAS ESS-AP) used to evaluate post-pay reviews. The content in these checklists will eventually feed into the iControl system. See [***DoD FMR Volume 4, Chapter 14***](http://comptroller.defense.gov/Portals/45/documents/fmr/current/04/04_14.pdf) for details about the quantification and estimation of improper payments for reporting purposes.

Figure 9-1: Checklist for Miscellaneous Payment Type

**POSTPAY REVIEW PACKAGE**

|  |  |
| --- | --- |
| System: GFEBS | DFAS Site: INDY |
| Voucher: | Voucher Date: |
| Contract/Doc. No. | Invoice Number: |
| Vendor/Contractor Name: | Date of Review: |
| \*Payment Type: Miscellaneous | |
| **I confirm review of the invoice above for accuracy and completeness.** | |
| Reviewer: | Postpay Review Team Lead (if improper): |

\*Payment type applies to either payments with a contractual document or miscellaneous (without a contractual document) – Based on the payment type, complete the applicable section below.

Amount of Payment $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Amount *Should Have Been Paid* (if different than payment amount) $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Overpayment $\_\_\_\_\_\_\_\_\_\_\_\_\_ Underpayment $\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Error Code: \_\_\_\_\_\_\_\_

Corrective Action Taken: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Verify the following. A negative answer to questions 1, 4, 7, 9, 10, 11, 12, 13, 14 or 15 in the contract pay section and questions 1, 4, 6, 7, 8, 9, 10 or 11 miscellaneous section require further investigation to determine if an improper payment was made, assignment of the applicable Error Code (see Appendix 3), and provision to Accounts Payable Managers for corrective action.**

\*\*\*\*\* If there are any exceptions that would cause a proper payment to appear improper based on the checklist, an explanation of the exception MUST be annotated and any additional research/documentation to substantiate that assessment is to be kept on hand with the completed checklist.

**Miscellaneous Pay Section (payment does not have a contract): For specific requirements, refer to the DoD Misc. Pay guide when performing the review.**

|  |  |
| --- | --- |
| 1. Are the required signatures on all documentation present?   Exceptions: | Yes  No |

Figure 9-1: Checklist for Miscellaneous Payment Type (cont.)

|  |  |
| --- | --- |
| 1. Was the payment certified and or approved by the applicable government official based on service agreements?   Does the certifying officer have a DD Form 577 (or electronic equivalent) on file?  Exceptions: | Yes  No  Yes  No |
| 1. Was a prevalidation performed? ERP systems excluded for for-self transactions. Manual prevalidations should have some type of designator or approval documentation where electronic prevalidations rely on system controls and there may not be visible proof. If nothing is available as to proof of prevalidation, please note “no proof available” in the exceptions   Note: This question was added for audit purposes and does not relate to improper payment reporting therefore it should not be used to determine if a payment is proper or not.  Exceptions: | **Yes**  **No**  **N/A** |
| 1. Does the approved and or certified amount match the supporting documentation? If externally certified SF1034 is received supporting documents not required.   Exceptions: | **Yes**  **No** |
| 1. Were the Prompt Payment rules followed if required?   Exceptions: | **Yes**  **No** |
| 1. Was prompt payment interest applied if required?   If so, was it calculated properly and was the correct reason code used?  Exceptions: | **Yes**  **No**  **Yes**  **No** |

Figure 9-1: Checklist for Miscellaneous Payment Type (cont.)

|  |  |
| --- | --- |
| 1. Are the randomly selected request for payment and its supporting documentation available for review?   Exceptions: | Yes  No |
| 1. Does the request for payment contain the information required to make payment?   Exceptions: | **Yes**  **No** |
| 1. Was the payment made to the proper remit to address or EFT account? SAM is the official repository if the vendor is registered. Generally Miscellaneous pay recipients are not required to be registered in SAM   Exceptions: | **Yes**  **No** |
| 1. Was the payment amount correct based on the supporting documentation and match the voucher? Certified SF 1034 is sufficient by itself.   Exceptions: | **Yes**  **No** |
| 1. Are all non-systems generated computations correct?   Exceptions: | **Yes**  **No**  **N/A** |

|  |  |
| --- | --- |
| 1. Where are the voucher and documentation maintained? ie. System, WAWF/IRAPT, EDA etc.   Location: | Yes  No |

**13. Additional Comments:**

Figure 9-2: Checklist for Contractual Payment Type

**POSTPAY REVIEW PACKAGE**

|  |  |
| --- | --- |
| System: CAPS-W | DFAS Site: INDY |
| Voucher: | Voucher Date: |
| Contract/Doc. No. | Invoice Number: |
| Vendor/Contractor Name | Date of Review: |
| \*Payment Type: Contractual | |
| **I confirm review of the invoice above for accuracy and completeness.** | |
| Reviewer: | Postpay Review Team Lead (if improper): |

\*Payment type applies to either payments with a contractual document or miscellaneous (without a contractual document) – Based on the payment type, complete the applicable section below.

Amount of Payment $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Amount *Should Have Been Paid* (if different than payment amount) $\_\_\_\_\_\_\_\_\_

Overpayment $\_\_\_\_\_\_\_\_\_\_\_\_\_ Underpayment $\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Error Code: \_\_\_\_\_\_\_\_

Corrective Action Taken: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Verify the following. A negative answer to questions 1, 4, 7, 9, 10, 11, 12, 13, 14 or 15 in the contract pay section and questions 1, 4, 6, 7, 8, 9, 10 or 11 miscellaneous section require further investigation to determine if an improper payment was made, assignment of the applicable Error Code (see Appendix 3), and provision to Accounts Payable Managers for corrective action.**

\*\*\*\*\* If there are any exceptions that would cause a proper payment to appear improper based on the checklist, an explanation of the exception MUST be annotated and any additional research/documentation to substantiate that assessment is to be kept on hand with the completed checklist.

**Contractual Payment Section (any payment that has a contract):**

|  |  |
| --- | --- |
| 1. Was the paying office the designated paying office on the contractual document?   Exceptions: | Yes  No |
| 1. Are the required signatures present that are required on each document?   Exceptions: | **Yes**  **No** |

Figure 9-2: Checklist for Contractual Payment Type (cont.)

|  |  |
| --- | --- |
| 1. Was the payment certified by an approved certifying officer?   Does the certifying officer have a DD Form 577 (or electronic equivalent) on file or a hardcopy version?  Exceptions: | Yes  No  Yes  No |
| 1. If the receiving report is required, does it contain a signature of the government official accepting the goods or services and all other required elements that make a valid receiving report?   Exceptions: | **Yes No** |
| 1. Was a prevalidation performed if required? MOCAS has a threshold but none for Vendor Pay. ERP systems excluded for for-self transactions. Manual prevalidations should have some type of designator or approval documentation where electronic prevalidations rely on system controls and there may not be visible proof. If nothing is available as to proof of prevalidation, please note “no proof available” in the exceptions.   Note: This question was added for audit purposes and does not relate to improper payment reporting therefore it should not be used to determine if a payment is proper or not.  Exceptions: | **Yes No N/A** |
| 1. Do the quantities and unit of measure billed match the applicable documents if required? (Unit of measure tables used may be different between systems)   Exceptions: | **Yes**  **No** |
| 1. Were any special payment terms contained in the contractual documents?   If so, were they adhered to?  Exceptions: | **Yes**  **No**  **Yes**  **No** |

Figure 9-2: Checklist for Contractual Payment Type (cont.)

|  |  |
| --- | --- |
| 1. Were the Prompt Payment rules followed?   Exceptions: | Yes  No |

|  |  |
| --- | --- |
| 1. Was prompt payment interest applied?   If so, was it calculated properly and was the correct reason code used if applicable?  Exceptions: | Yes  No  Yes  No |
| 1. Are the randomly selected invoice and its supporting documentation available for review to include a contract?   Exceptions: | **Yes**  **No** |
| 1. Does the invoice contain the information required to make it a valid invoice?   Exceptions: | **Yes**  **No** |
| 1. Was the payment made to the proper remit to address or EFT account? (SAM is the official record unless the vendor is exempt from registration per FAR 4.1102 and vendor and cage should match) An Assignment of claims has an impact and the bank should be registered in SAM   Exceptions: | **Yes**  **No** |
| 1. Was the payment amount correct?   Exceptions: | **Yes**  **No** |
| 1. Are all non-systems generated computations correct?   Exceptions: | **Yes**  **No**  **N/A** |
| 1. Does payment amount agree with the terms of the contractual document, the receiving report, and the invoice and match the voucher? No voucher for Treasury disbursements. Exceptions: | **Yes**  **No** |

Figure 9-2: Checklist for Contractual Payment Type (cont.)

|  |  |
| --- | --- |
| 1. Where are the voucher and documentation maintained, ie. WAWF/IRAPT, EDA, etc.?   Location: | Yes  No |

|  |  |
| --- | --- |
| 1. Additional Comments: |  |

# 9005 VENDOR PAY OFFICE TAX REPORTING

Certain types of payments (e.g., military award payments and medical health service providers paid under individual set-aside contracts) are authorized to go through a vendor pay office only if the appropriate withholdings are computed, included, and presented for payment to the vendor pay office. At the end of each calendar year, payment or entitlement offices are required to report these payments to the IRS via Form W-2. Each DoD Component is responsible for the preparation of an IRS Form 1099 on its vendor payments for applicable services that total $600 or more, or royalties of $10 or more in a calendar year to a single person or business entity (partnership, sole proprietor, or corporation) unless an exception applies. For DFAS-serviced Components, DFAS will prepare, print, and distribute the hard copy of the IRS Form 1099 to the vendor and forward the same information to the IRS. [***DoD FMR Volume 10, Chapter 6***](http://comptroller.defense.gov/FMR/vol10_chapters.aspx) provides a list of contractor and vendor payments that are subject to IRS Form 1099 reporting, as well as those that are not.