

Contract Administration

Activity 41: Administering Financing Terms

Procedures for contract financing.

Related Flow Charts: [Flow Chart 41](#)

Related Courses: [CLC056](#), [CLC058](#)

Part A: Government Financing of Commercial Item Purchases

Tasks	FAR Reference(s)	Additional Information
<p>1. Review requests submitted by contractors for Government contract financing, and ensure that the contractor's request has no defects.</p>	<p>FAR 32.001 Commercial interim payment [definitions].</p> <p>FAR 32.001 Contract financing payment [definitions].</p> <p>FAR 32.007 Contract financing payments.</p> <p>FAR 32.202-1(b) Authorization [policy].</p> <p>FAR 32.202-1(c) Difference from non-commercial financing [policy].</p> <p>FAR 32.202-2 Types of payments for commercial item purchases.</p> <p>FAR 32.207 Administration and payment of commercial financing payments.</p>	<p>“Contract financing payment” means an authorized disbursement of monies from the Government to the contractor prior to the Government’s acceptance of supplies or services. Two types of contract financing payments for commercial item purchases are commercial advance payments and commercial interim payments.</p> <ul style="list-style-type: none"> • Commercial advance payments are payments made before any performance of work under the contract. • Commercial interim payments are to the contractor after some work has been done. <p>Government financing of commercial purchases under FAR Subpart 32.2 is expected to be different from that used for non-commercial purchases under FAR Subpart 32.1 and its related subparts. While the contracting officer may adapt techniques and procedures from the non-commercial subparts for use in implementing commercial contract financing arrangements, the contracting officer must have a full understanding of effects of the differing contract environments and of what is needed to protect the interests of the Government in commercial contract financing.</p> <p>A proper contract financing request must comply with the terms and conditions specified by the contract.</p> <p>Annotate each contract financing request with the date of receipt.</p>

Tasks	FAR Reference(s)	Additional Information
2a. If the contractor's request has defects, transmit the request back to the contractor for correction.	FAR 32.007(c) Contract financing payments.	The contractor must correct any defects in the manner specified in the contract or as directed by the contracting officer.
2b. If the contractor's request has no defects, determine whether to provide for contract financing payments for the commercial item purchase.	FAR 32.202-1(b) Authorization [policy].	<p>Both types of contract financing payments for commercial item purchases are authorized under the following circumstances:</p> <ul style="list-style-type: none"> • The contract item finance is a commercial supply or services; • The contract price exceeds the simplified acquisition threshold (SAT); • The contracting officer determines that it is appropriate or customary in the commercial marketplace to make financing payments for the item; • Authorizing contract financing payments are in the best interests of the Government; • Adequate security is obtained; • The aggregate of commercial advance payments does not exceed 15 percent of the contract price; • The contract is awarded on the basis of competitive procedures, or if only one officer is solicited, adequate consideration if the financing is expected to be substantially more advantageous to the offeror than the offeror's normal method of customer financing; and <p>The contracting officer obtains concurrence from the payment office concerning liquidation provisions when required by FAR 32.206(e).</p>
3. Transmit the approved request to the designated payment office.	<p>FAR 32.001 Designated payment office [definitions].</p> <p>FAR 32.001 Designated payment office [definitions].</p> <p>FAR 32.007 Contract financing payments.</p>	<p>“Designated payment office” means the office designated in the contract to make invoice payments or contract financing payments. Normally, this will be the Government disbursing office.</p> <p>Each approved request must specify:</p> <ul style="list-style-type: none"> • The amount to paid;

Tasks	FAR Reference(s)	Additional Information
	<p>FAR 32.206(d) Instructions for multiple appropriations [solicitation provisions and contract clauses].</p> <p>FAR 32.207(b) Approval [administration and payment of commercial financing payments].</p>	<ul style="list-style-type: none"> Necessary contractual information; and The account(s) to be charged for the payment. <p>Ensure that the designated payment office annotate each contract financing request with the date of receipt.</p>
<p>2. Follow up with the designated payment office to confirm timely contract financing payments to the contractor.</p>	<p>FAR 32.007 Contract financing payments.</p>	<p>Generally, the due date for making contract financing payments by the designated payment office is the 30th day after the designated billing office receives a proper contract financing request.</p> <p>The Government will not pay an interest penalty to the contractor as a result of delayed contract financing payments.</p>
<p>3. If applicable, monitor the security provided by the contractor for the government contract financing.</p>	<p>FAR 32.202-4 Security for government financing [commercial item purchase financing].</p> <p>FAR 32.207(c) Management of security [administration and payment of commercial financing payments].</p>	<p>The value of the security must be at least equal to the maximum unliquidated amount of contract financing payments to be made to the contractor. The value of security may be adjusted periodically during contract performance, as long as it is always equal or greater than the amount of unliquidated financing.</p> <p>If the contracting officer determined the offeror's financial condition to be adequate security, assessment of the contractor's financial condition must consider both net worth and liquidity.</p> <p>See Activity 40: Administering Securities for further discussion.</p>
<p>4. Take appropriate remedial action when the contractor fails to provide adequate security.</p>	<p>FAR 32.202-4 Security for government financing [commercial item purchase financing].</p>	<p>If the contractor fails to provide adequate security as required by the contract, make no financing payments.</p> <p>In the event the contractor fails to provide required additional security:</p> <ul style="list-style-type: none"> Collect or liquidate any security that has been provided; Suspend further payments to the contractor; Require the contractor to repay to the Government the amount of unliquidated financing payments as the Contracting Officer deems repayable; or Any combination of the above.

Tasks	FAR Reference(s)	Additional Information
		See Activity 40 Administering Securities for further discussion.

Part B: Progress Payments Based on Costs (Government Financing of Non-Commercial Item Purchases)

Tasks	FAR Reference(s)	Additional Information
1. If the contract did not call for progress payments, determine whether to modify the contract to provide them.	FAR 32.005 Consideration for contract financing. FAR 32.104 Providing contract financing.	<p>Contract financing through progress payments based on cost may be added to a contract based on the contractor’s request, if it is needed for prompt and efficient contract performance. However, new consideration is required for the addition of contract financing after contract award.</p> <p>In considering whether to provide for progress payments by contract modification:</p> <ul style="list-style-type: none"> • Determine whether progress payments are needed for prompt and efficient contract performance. • Prepare a negotiation position on consideration for adding progress payments considering the following: <ul style="list-style-type: none"> ○ The contractor may provide new consideration by monetary or nonmonetary means, provided the value is adequate. ○ The fair and reasonable consideration should approximate the amount by which the price would have been less had the contract financing terms been contained in the initial contract. In the absence of definite information, apply the following criteria in evaluating whether the proposed new consideration is adequate: <ul style="list-style-type: none"> ▪ The value to the contractor of the anticipated amount and duration of the contract financing at the imputed financial costs of the equivalent working capital. ▪ The estimated profit rate to be earned through contract performance. • Negotiate an acceptable bilateral contract modification.

Tasks	FAR Reference(s)	Additional Information
<p>2. Tailor the supervision of progress payments to the level necessary to protect the Government's interest.</p>	<p>FAR 32.503-2 Supervision of progress payments.</p>	<p>Vary progress payments supervision, by prepayment review or periodic review, inversely with the contractor's experience, performance record, reliability, quality of management, and financial strength, and with the adequacy of the contractor's accounting system and controls.</p> <ul style="list-style-type: none"> • Supervision must be of a kind and degree sufficient to provide timely knowledge of the need for, and timely opportunity for, any actions necessary to protect Government interests. • Keep informed about the contractor's overall operations and financial condition. Difficulties encountered and losses suffered in operations outside the particular progress payment contract may affect adversely the performance of that contract and the liquidation of the progress payments. • Obtain and frequently analyze full information on contract progress, the contractor's other operations, and overall financial condition for contracts with contractors: <ul style="list-style-type: none"> ○ Whose financial condition is doubtful or not strong in relation to progress payments outstanding or to be outstanding; ○ With management of doubtful capacity; ○ Whose accounting controls are found by experience to be weak; or ○ Experiencing substantial difficulties in performance. • So far as practicable, all cost problems, particularly those involving indirect costs, that are likely to create disagreements in future administration of the contract should be identified and resolved at the inception of the contract.
<p>3. Determine whether to approve the initiation of progress payments.</p>	<p>FAR 32.503-3 Initiation of progress payments and review of accounting</p>	<p>Progress payments should be approved as a matter of course for contractors that previous experience or a recent audit review</p>

Tasks	FAR Reference(s)	Additional Information
	system.	<p>(within the last 12 months) shows to be:</p> <ul style="list-style-type: none"> • Reliable, competent, and capable of satisfactory performance; • Possessed of an adequate accounting system and controls; and • In sound financial condition. <p>For all other contractors, progress payments must not be approved before determining that:</p> <ul style="list-style-type: none"> • Either the: <ul style="list-style-type: none"> ○ Contractor will be capable of liquidating any progress payments; or ○ Government is otherwise protected against loss by additional protective provisions. • The contractor's accounting system and controls are adequate for proper administration of progress payments. <p>When an audit is necessary, use the services of the responsible audit agency or office to the greatest extent practicable. However, if the auditor so advises, a complete audit may not be necessary.</p>
4. Approve or disapprove a request for progress payments.	FAR 32.503-4 Approval of progress payment requests.	<p>When determining whether to approve or disapprove a request, consider the following:</p> <ul style="list-style-type: none"> • Each request must: <ul style="list-style-type: none"> ○ Be submitted on the appropriate form no less than a month after the last request; ○ Include any additional information reasonably required by the Contracting Officer; and ○ Be for \$2,500 or more, unless agency procedures authorize a lower amount. • When the reliability of the contractor and the adequacy of the contractor's accounting system and controls have been established, rely upon that accounting system and upon the contractor's certification, without requiring audit or review of the request before payment.

Tasks	FAR Reference(s)	Additional Information
5. Conduct postpayment reviews of progress payments.	FAR 52.503-5 Administration of progress payments.	<ul style="list-style-type: none"> • Do not routinely ask for audits of progress payment requests. However, consider asking for a review or audit of the request before approving a payment or otherwise disposing of a request when there is reason to: <ul style="list-style-type: none"> ○ Question the reliability or accuracy of the contractor's certification; or ○ Believe that the contract will involve a loss, the administrative contracting officer (ACO). • When there is reason to doubt the amount of a progress payment request: <ul style="list-style-type: none"> ○ Only withhold the doubtful amount, subject to later adjustment after review or audit. ○ Any clearly proper and due amounts should be paid without awaiting resolution of the differences. <p>While the contractor's accounting system and certification may be relied upon when approving progress payments, post-payment reviews (including audits when considered necessary) must be made periodically, or when considered desirable to determine the validity of progress payments already made and expected to be made.</p> <ul style="list-style-type: none"> • These post-payment reviews or audits must (as a minimum) include a determination of whether or not: • The unliquidated progress payments are fairly supported by the value of the work accomplished on the undelivered portion of the contract; • The applicable limitation on progress payments in the Progress Payments clause has been exceeded; • Either the: <ul style="list-style-type: none"> ○ Unpaid balance of the contract price will be adequate to cover the anticipated cost of completion; or ○ Contractor has adequate resources to complete

Tasks	FAR Reference(s)	Additional Information
		<p>the contract; and</p> <ul style="list-style-type: none"> • There is reason to doubt the adequacy and reliability of the contractor's accounting system and controls and certification. <p>Under indefinite-delivery contracts, administer progress payments made under each individual order as if the order constituted a separate contract, unless agency procedures provide otherwise.</p>
<p>6. Ensure that the Government's title to these inventories under the Progress Payments clause is not compromised by other encumbrances.</p>	<p>FAR 32.503-14 Protection of government title [progress payments based on costs].</p>	<p>In the absence of reason to believe otherwise, rely upon the contractor's certification contained in the progress payment request. However, investigate any information or complaint that Government title has been compromised.</p>
<p>7. Liquidate progress payments through deductions in payments to the contractor.</p>	<p>FAR 32.503-8 Liquidation rates—ordinary method [progress payments based on costs].</p>	<p>Except as provided in the Termination for Convenience of the Government clause, liquidate progress payments by deducting from any payment under this contract (other than advance or progress payments) the unliquidated progress payments, or 80 percent of the amount invoiced, whichever is less.</p> <p>The contractor must repay to the Government any amounts required by a retroactive price reduction, after computing liquidations and payments on past invoices at the reduced prices and adjusting the unliquidated progress payments accordingly.</p> <p>The Government reserves the right to unilaterally change from the ordinary liquidation rate to an alternate rate when deemed appropriate for proper contract financing.</p>
<p>8. Identify an apparent need to reduce or suspend progress payments, increase the liquidation rate, or take other action to protect the Government's interest under the Progress Payments clause.</p>	<p>FAR 32.503-6 Suspension or reduction of payments [progress payments based on costs].</p>	<p>The Progress Payments clause provides a Government right to reduce or suspend progress payments, increase the liquidation rate, or take other actions under specified conditions. For example:</p> <ul style="list-style-type: none"> • In accordance with FAR 32.503-6, action may be appropriate if: <ul style="list-style-type: none"> ○ The contractor fails to comply with all material requirements of the contract and the failure results from the contractor's fault or negligence;

Tasks	FAR Reference(s)	Additional Information
		<ul style="list-style-type: none"> ○ Contract performance is endangered by the contractor’s unsatisfactory financial condition; ○ Inventory allocated to the contract exceeds reasonable requirements; ○ The contractor is delinquent in paying the costs of contract performance in the ordinary course of business; ○ The fair value of undelivered work is not at least equal to the amount of unliquidated progress payments; or ○ The sum of the total costs incurred under the contract plus the estimated costs to complete the contract are likely to exceed the contract price. <ul style="list-style-type: none"> ● In accordance with FAR 32.503-12, action may be appropriate if unliquidated progress payments exceed the limit in the Progress Payments clause. ● In accordance with FAR 32.503-14(c), action may be appropriate if the Government’s title to inventories under the progress payments clause is compromised by other encumbrances.
<p>9. Notify the contractor of the identified need for action and provide an opportunity for discussion.</p>	<p>N/A</p>	<p>Provide the contractor an opportunity to present its views and any supporting facts.</p>
<p>10. Select and implement a course of action to reduce the Government’s risk.</p>	<p>FAR 32.503-6 Suspension or reduction of payments [progress payments based on costs].</p>	<p>A course of action should only be selected after:</p> <ul style="list-style-type: none"> ● Notifying the contractor of the intended action and providing an opportunity for discussion; ● Evaluating the effect of the action on the contractor's operations, based on the contractor’s: <ul style="list-style-type: none"> ○ Financial condition; ○ Projected cash requirements; and

Tasks	FAR Reference(s)	Additional Information
		<ul style="list-style-type: none"> ○ Existing or available credit arrangements; and ● Considering the general equities of the particular situation. <p>Select and implement a course of action in accordance with the Progress Payments clause and FAR requirements (e.g., FAR 32.503-6, 32.503- 12, or 32.503-14(c)).</p>
<p>11. Determine the need to adjust the progress payment or liquidation to reduce the contractor’s risk.</p>	<p>FAR 32.503-9 Liquidation rates—alternate method [progress payments based on costs].</p>	<p>Normally, a determination to adjust the progress payment or liquidation rate will be based on a request from the contractor to provide unusual progress payments or reduce the liquidation rate.</p> <p>Consider such adjustments, when:</p> <ul style="list-style-type: none"> ● Contractor cash flow is not sufficient to sustain contract performance, even with normal progress and liquidation rates. ● The Government is otherwise protected against loss. ● The contractor is otherwise capable and competent to perform.
<p>12. Discuss alternatives with the contractor.</p>	<p>FAR 32.503-10 Establishing alternate liquidation rates [progress payments based on costs].</p>	<p>Provide the contractor an opportunity to present its views and any supporting facts. Emphasize that:</p> <ul style="list-style-type: none"> ● A liquidation rate: <ul style="list-style-type: none"> ○ May only be reduced when the conditions in FAR 32.503-9 apply; and ○ Must be established by correctly applying the factors at FAR 32.503-10. ● Unusual progress payments: <ul style="list-style-type: none"> ○ May only be used when the conditions in FAR 32.501-2 apply; and ○ Require additional consideration when provided after contract award. <p>Attempt to reach agreement with contractor on the need for and the terms of a contract modification.</p>

Tasks	FAR Reference(s)	Additional Information
13. Issue a contract modification for any change in progress payment or liquidation rates.	FAR 32.503-9 Liquidation rates—alternate method [progress payments based on costs].	<p>Ensure that any modification for:</p> <ul style="list-style-type: none"> • A change in the liquidation rate correctly applies the factors at FAR 32.503-10. • Use of unusual progress payments: <ul style="list-style-type: none"> ○ Is approved by the head of the contracting activity; and ○ Includes adequate consideration from the contractor.

Part C: Advance Payments for Non-Commercial Items

Tasks	FAR Reference(s)	Additional Information
1. Review the contractor’s application for advance payments.	32.408 Application for advance payments [advance payments for non-commercial items].	<p>A contractor’s written request for advance payment must include:</p> <ul style="list-style-type: none"> • A reference to the contract if the request concerns an existing contract, or a reference to the solicitation if the request concerns a proposed contract. • A cash flow forecast showing estimated disbursements and receipts for the period of contract performance. • The proposed total amount of advance payments. • The name and address of the financial institution at which the contractor expects to establish a special account as depository for the advance payments. If advance payments in the form of a letter of credit are anticipated, the contractor must identify the specific account at the financial institution to be used. This is not applicable if an alternate method is used under agency procedures. • A description of the contractor’s efforts to obtain unguaranteed private financing or a V-loan (see FAR 32.301) under eligible contracts. This requirement is not applicable to the contract types described in FAR 32.403(a) or (b).

Tasks	FAR Reference(s)	Additional Information
<p>2. After analyzing the contractor's application for advance payments, determine whether to approve the application.</p>	<p>FAR 32.409 Contracting officer action [application for advance payments].</p>	<p>Other information appropriate to an understanding of:</p> <ul style="list-style-type: none"> ○ The contractor's financial condition and need; ○ The contractor's ability to perform the contract without loss to the Government; and ○ Financial safeguards needed to protect the Government's interest. <p>If recommending approval, the contracting officer must transmit the following information to the approving authority:</p> <ul style="list-style-type: none"> • Contract data (e.g., Identification and date of the award; citation of the appropriation; type and dollar amount of the contract; items to be supplied, schedule of deliveries or performance, and status of any deliveries or performance; contract fee or profit contemplated; and a copy of the contract, if available. • A report on the contractor's past performance, responsibility, technical ability, and plant capacity. • Comments on the contractor's need for advance payments; and potential Government benefits from the contract performance. • Proposed advance payment contract terms, including proposed security requirements. • The findings, determination, and authorization (see FAR 32.410). • The recommendation for approval of the advance payment request. • Justification of any proposal for waiver of interest charges (see FAR 32.407). <p>If recommending disapproval, the contracting officer must provide the reasons for the recommendation to the approving authority.</p>
<p>3. If advance payments are approved, enter into an agreement with the</p>	<p>FAR 32.409-3 Security, supervision,</p>	<p>Ensure that:</p>

Tasks	FAR Reference(s)	Additional Information
contractor covering special accounts and suitable covenants protecting the Government's interest.	and covenants.	<ul style="list-style-type: none"> • The amount of advance payments does not exceed the contractor's financial needs. • Contractor withdrawal of funds is closely supervised. <p>In the terms of the agreement, the contracting officer should provide for a paramount lien in favor of the Government. This lien may supplement or replace other security requirements. The lien should cover:</p> <ul style="list-style-type: none"> • Supplies being acquired; • Any credit balance in the special account in which advance payments are deposited; and • All property that the contractor acquires for performing the contract, except to the extent to which the Government otherwise has valid title to the property. <p>The requirements of this FAR 32.409-3 do not apply when using letters of credit if an agency's procedures provide for the use under a cost-reimbursement contract of federal funds deposited in the contractor's account at a financial institution (without the contractor acquiring title to the funds); and the security of such deposit of public moneys in accordance with governing regulations of the Treasury Department.</p>

Part D: Performance-Based Payments (Government Financing of Non-Commercial Item Purchases)

Tasks	FAR Reference(s)	Additional Information
1. Identify the contract requirements for performance-based payments.	FAR 32.1003 Criteria for use [performance-based payments].	<p>As a minimum, identify:</p> <ul style="list-style-type: none"> • Performance events or criteria for performance-based payments; • Whether the performance events are severable or cumulative; • Payment amounts; • Any instructions for multiple appropriations; • Method for liquidating performance-based payments;

Tasks	FAR Reference(s)	Additional Information
		<ul style="list-style-type: none"> • Minimum interval between performance - based payment requests (i.e., not more frequently than monthly); and • Form and manner in the contractor must request performance-based payments.
<p>2. Review contractor requests for performance-based finance payments.</p>	<p>FAR 32.1007 Administration and payment of performance-based payments.</p>	<p>In determining what level of review is required to protect the Government's interests, consider the contractor's:</p> <ul style="list-style-type: none"> • Experience, • Performance record, • Reliability, • Financial strength, and • Adequacy of controls established by the contractor for the administration of performance-based payments. <p>As a minimum:</p> <ul style="list-style-type: none"> • Review the invoice to ensure that the Contractor's request for performance-based payment contains the following: <ul style="list-style-type: none"> ○ The name and address of the contractor; ○ The date of the request for performance-based payment; ○ The contract number and/or other identifier of the contract or order under which the request is made; ○ Such information and documentation as is required by the contract's description of the basis for payment; and ○ A certification by a contractor official authorized to bind the Contractor, as specified in FAR 52.232-32(m). • Never approve a performance-based payment until: <ul style="list-style-type: none"> ○ The specified event or performance criterion has

Tasks	FAR Reference(s)	Additional Information
		<p>been successfully accomplished in accordance with the contract; and</p> <ul style="list-style-type: none"> ○ If an event is cumulative, until all identified preceding events or criteria are also accomplished. ● Based upon the risk to the Government, additional pre or post-payment review and verification may be appropriate.
<p>3. Renegotiate the performance-based payment schedule to facilitate contractor billings for any successfully accomplished portions of a government-delayed event or criterion (when appropriate).</p>	<p>FAR 32.1007(e) Government-caused delay [administration and payment of performance-based payments].</p>	<p>Entitlement to a performance-based payment is solely on the basis of successful performance of the specified events or performance criteria. However, if there is a Government-caused delay, the contracting officer may renegotiate the performance-based payment schedule to facilitate contractor billings for any successfully accomplished portions of the delayed event or criterion.</p>
<p>4. Review information from performance monitoring to ensure that the Government's title is not compromised by other encumbrances.</p>	<p>FAR 32.1009 Title [performance-based payments].</p>	<p>Ordinarily rely upon the contractor's certification contained in the payment request. If Government title has been compromised, initiate actions to protect the Government's interests (e.g., require additional protective provisions, consider suspending or reducing performance, or consult legal counsel).</p>
<p>5. Determine whether to demand repayment of performance-based payments in the event of loss, theft, destruction, or damage to property.</p>	<p>FAR 32.1010 Risk of loss [performance-based payments].</p>	<p>Before delivery to and acceptance by the Government, the contractor bears the risk of loss for property, the title to which vests in the Government under the Performance-Based Payments clause, except to the extent the Government expressly assumes the risk.</p> <p>If any property is damaged, lost, stolen, or destroyed:</p> <ul style="list-style-type: none"> ● The basis of payment (the events or performance criteria) to which the property is related must be deemed to be not in compliance with the terms of the contract and not payable (if the property is part of or needed for performance); and ● The contractor must refund the related performance-based payments to the Government.

Tasks	FAR Reference(s)	Additional Information
<p>6. Identify any apparent need to reduce or suspend progress payments, increase the liquidation rate, or take other actions to protect the Government's interests under the Performance-Based Payments clause.</p>	<p>FAR 32.1008 Suspension or reduction of performance-based payments.</p>	<p>The Performance-Based Payments clause provides a Government right to reduce or suspend performance-based payments or liquidate performance-based payments if:</p> <ul style="list-style-type: none"> • The contractor fails to comply with all material requirements of the contract and the failure results from the contractor's fault or negligence; • Contract performance is endangered by the contractor's unsatisfactory financial condition; or • The contractor is delinquent in paying the costs of contract performance in the ordinary course of business.
<p>7. Select and implement a course of action to reduce the Government's risk.</p>	<p>FAR 32.1008 Suspension or reduction of performance-based payments.</p>	<p>A course of action should only be selected after:</p> <ul style="list-style-type: none"> • Notifying the contractor of the intended action and providing an opportunity for discussion; • Evaluating the effect of the action on the contractor's operations, based on the contractor's: <ul style="list-style-type: none"> ○ Financial condition; ○ Projected cash requirements; and ○ Existing or available credit arrangements; and • Considering the general equities of the particular situation. <p>Select and implement a course of action in accordance with the Performance-Based Payments clause and FAR requirements (e.g., FAR 32.1008 and 32.503-6).</p>
<p>8. If a contract is modified, adjust the performance-based payment schedule (when necessary).</p>	<p>FAR 32.1004(b) Establishing performance-based finance payment amounts.</p>	<p>Whenever a contract modification affects price or delivery of any contract item(s) covered by performance-based payments, adjust the performance-based payment schedule.</p>
<p>9. Verify proper liquidation of performance-based finance payments.</p>	<p>FAR 32.1004(d) Liquidating performance-based finance payments.</p>	<p>Performance-based amounts must be liquidated by deducting a percentage or a designated dollar amount from the delivery payments. The contract must specify the liquidation rate or designated dollar amount. The method of liquidation must ensure complete liquidation no later than final payment.</p>

Tasks	FAR Reference(s)	Additional Information
		<ul style="list-style-type: none"> • If the contract establishes the performance- based payments on a delivery item basis, the liquidation amount for each line item is the percent of that delivery item price that was previously paid under performance-based finance payments or the designated dollar amount. • If the performance-based finance payments are on a whole contract basis, liquidation is by predesignated liquidation amounts or liquidation percentages.