

PHASE II: CONTRACT ADMINISTRATION

Activity 41: Administering Financing Terms

Commercial Item Purchase Financing

Review requests submitted by contractors for Government contract financing, and ensure that the contractor's request has no defects.

If the contractor's request has defects,

Transmit the request back to the contractor for correction.

If the contractor's request has no defects,

Determine whether to provide for contract financing payments for the commercial item purchase.

If yes,

Transmit the approved request to the designated payment office.

Follow up with the designated payment office to confirm timely contract financing payments to the contractor.

If applicable, monitor the security provided by the contractor for the government contract financing.

Take appropriate remedial action when the contractor fails to provide adequate security.

If no

Deny finding that it is not in the best interests of the Government.

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

If the contract did not call for progress payments, determine whether to modify the contract to provide them.

If yes,

Tailor the supervision of progress payments to the level necessary to protect the Government's interest.

Determine whether to approve the initiation of progress payments.

If yes,

Approve or reject a request for progress payments.

Conduct postpayment reviews of progress payments.

Ensure that the Government's title to these inventories under the Progress Payments clause is not compromised by other encumbrances.

Liquidate progress payments through deductions in payments to the contractor.

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.

Notify the contractor of the identified need for action and provide an opportunity for discussion.

Select and implement a course of action to reduce the Government's risk.

Determine the need to adjust the progress payment or liquidation to reduce the contractor's risk.

Discuss alternatives with the contractor.

Issue a contract modification for any change in progress payment or liquidation rates.

If no,

Do not modify the contract.

If no,

Do not approve the initiation of progress payments.

Advance Payments for Non-Commercial Items

Review the contractor's application for advance payments.

After analyzing the contractor's application for advance payments, determine whether to approve the application.

If yes,

Transmit the required information to the approving authority.

If advance payments are approved, enter into an agreement with the contractor covering special accounts and suitable covenants protecting the Government's interest.

If no,

Transmit the reasons for the recommended disapproval to the approving authority.

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

Identify the contract requirements for performance-based payments.

Review contractor requests for performance-based finance payments.

Renegotiate the performance-based payment schedule to facilitate contractor billings for any successfully accomplished portions of a government-delayed event or criterion (when appropriate).

Determine whether to demand repayment of performance-based payments in the event of loss, theft, destruction, or damage to property.