Accelerating Payments to Small Businesses

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Agenda

• Federal Government Policy on Accelerating Payments
• Defense Finance and Accounting Service (DFAS): Who we Are and What we Do
• DFAS Payment Process
• What Can Go Wrong in the Payment Process
• Where to Go for Help
Federal Government Policy

What?

- As of August 1, 2014 the Department of Defense resumed the practice of accelerating payments to prime contractors

Why?

- To further support small businesses and the U.S. economy
- Provide accelerated payment to small business primes
- Provide accelerated payments to large primes with the expectation that they will pay their small business sub-contractors quicker

How?

- The DFAS method of accelerating payments to prime contractors is waiving cash management
  - All other requirements still apply (i.e. 3-way match, prevalidation)
Federal Government Policy

- **Defense Federal Acquisition Regulation Supplement (DFARS)**
  - On April 27, 2011 interim rule was published in the Federal Register at 76 CFR 23505
  - Removed “disadvantaged” from the language at DFARS 232.903 and DFARS 232.906(a)(ii)
  - Extended accelerated pay policy to all small businesses

- **Defense Procurement and Acquisition Policy (DPAP) Class Deviation 2011-O0007**
  - Executed concurrent with the publication of the DFARS interim rule
  - Advises that the implementation would be a phased, system-by-system approach
  - Modifications to DoD Entitlement systems required to accommodate the policy change

- **Office of Management and Budget (OMB) Policy Memo, September 14th 2011**
  - Directed all Federal Agencies to take steps in order to accelerate Small Business Payments
Federal Government Policy

- **Office of Management and Budget (OMB) Policy Memo, July 11, 2012**
  - Directed all Federal Agencies to begin accelerating payments to all prime contractors
  - Intended to improve cash flow in order for prime contractors to pay small business subcontractors promptly

- **February 2013: DPAP rescinded policy to accelerate payments to all prime contractors**
  - Accelerating payments to all contractors created cash constraints to some DoD Services/Agencies. Policy requirements to accelerate payments to small business prime contractors still applies

- **July 2014: OMB extended the Federal Government’s temporary practice of accelerating payment through December 2016.**
  - Includes resuming the practice within the DoD

- **January 2017: OMB extended the Federal Government’s temporary practice of accelerating payment through December 2017.**
DFAS: Who we Are and What we Do

We pay...
- the men and women who defend America.
- the contractors who support the warfighter.

DFAS was established in 1991 to prepare DoD for 21st century financial management.

We provide...
- financial information to DoD decision makers.
DFAS: Who we Are and What we Do

Our #1 Goal ...  
*Support the men and women who fight for our freedom – the War Fighters*

Our Mission...  
*To lead our customers in finance and accounting by ensuring the delivery of efficient, exceptional quality pay and financial information.*

Our Vision...  
*To be a recognized leader in financial management by consistently delivering first-class service and products.*

Our Core Values...  
- **Integrity**: *Doing what is right*
- **Service**: *Striving to be a trusted financial partner*
- **Innovation**: *Creating new ways to do business*
In FY 2016, DFAS:

- Processed 122.4 million pay transactions (6.4 million people/accounts)
- Made 5.8 million travel payments
- Paid 11.7 million commercial invoices
- Maintained 151.8 million General Ledger accounts
- Managed $899 billion in Military Retirement and Health Benefits Funds
- Made $534.5 billion in disbursements
- Managed $479 billion in Foreign Military Sale (reimbursed by foreign governments)
- Accounted for 1,359 active DoD appropriations
DFAS: Who we Are and What we Do – Vendor Pay

- DFAS Pay Office should be determined by accounting station based on preponderance of the funds on the original contract

- **Contract Payments**
  - Contracts are usually less complex
  - Should not have progress or WIP terms

- **Miscellaneous Payments**
  - Should follow the DOD and/or Air Force Miscellaneous Pay Guide

- **Entitlement Systems**
  - CAPS-W, IAPS, GFEBS, DEAMS, OnePay, Navy ERP, SAVES, DAI, EBS
DFAS: Who we Are and What we Do – MOCAS

WHAT IS MOCAS?
- Integrated system supporting post-award administration

WHO USES MOCAS?
- DCMA
- DFAS
- Procurement Offices
- DCAA
- DTRA
- WHS
- Funding Stations

WHY MOCAS?
- Pays More Complex Contracts
  - High Dollar
  - Multi-Year Contracts
  - Multiple Deliverables
- Makes Financing Payments
  - Progress Payments
  - Performance-Based Payments
  - Commercial Item Financing
  - Interim Cost Payments
DFAS Payment Process

DoD
- Awards contract to Vendor
- Forwards contract to DFAS

Vendor
- Provides Goods and Services
- Submits receiving report for the goods and services to DoD
- Can also submit the invoice along with the receiving report (Combo and Invoice 2 in 1)

DoD
- Receives goods and services
- Forwards signed receiving report to DFAS

DFAS Entitlement
- Using a 3-way match between the Contract, invoice, and Receiving Report, validates, entitles and then prevalidates the invoice
- Sends payment file to Disbursing office

Disbursing office
- Sends Check/EFT to Vendor
- Updates MyInvoice
- Sends disbursement data back to the Accounting systems.

Vendor
- Submits Invoice to DFAS if not already submitted with the receiving report.
DFAS Payment Process – Prompt Payment Terms

- **Net 30 Days = Normal Payment Terms**

- **Net 7 Days**
  - ✔ Meat, Meat Food Products, including Poultry, Fresh Eggs, Seafood or Shellfish

- **Net 10 Days**
  - ✔ Perishable Agricultural commodities, Fresh Baked Goods, Dairy Products, Fats and Oils

- **Net 14 Days**
  - ✔ Construction Contracts

- **Fast Pay 15 Days**
  - ✔ Based on inclusion of the FastPay FAR clause in the contract

- **Accelerated Pay (All Vendors)**
  - ✔ Paid as soon as possible (15 days)
  - ✔ Per extension memorandum dated 1-11-17
DFAS Payment Process – Proper Invoice

<table>
<thead>
<tr>
<th>√</th>
<th>Invoice Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>√</td>
<td>Name and Address of the vendor</td>
</tr>
<tr>
<td>√</td>
<td>Invoice number, Account number, and/or any other identifying number agreed to by contract</td>
</tr>
<tr>
<td>√</td>
<td>Contract Number or other authorization for delivery</td>
</tr>
<tr>
<td>√</td>
<td>Description, Price and Quantity</td>
</tr>
<tr>
<td>√</td>
<td>Shipping, Payment, and Discount Terms</td>
</tr>
<tr>
<td>√</td>
<td>Taxpayer Identifying Number (TIN), unless agency procedures provide otherwise</td>
</tr>
<tr>
<td>√</td>
<td>Contact Name (where practicable) of person to be notified in event of a defective invoice</td>
</tr>
<tr>
<td>√</td>
<td>Banking information, unless agency procedures provide otherwise, or except in situations where the EFT requirement is waived under 31 CFR 208.4</td>
</tr>
<tr>
<td>√</td>
<td>Other substantiating documentation or information required by the contract</td>
</tr>
</tbody>
</table>

A proper invoice must have the following:
DFAS Payment Process – What Can Go Wrong

Top Reasons for Payment Delays

- Missing Goods Receipts
  - This is NOT a DFAS role. You must contact your DLA/Govt Receiving Activity POC or your contracting officer

- Short Pay (as a result of partial or missing GR)

- Freight balance due
  - Did you attach a copy of your freight bill to your WAWF invoice submission?

- How to bill
  - Invoicing should MIRROR your contract CLIN/SLIN layout, including QTY/Unit Price/Unit of Measure

- Maintain your SAM registration.
  - Annual requirement. If expired/suspended, you will NOT get paid!
    https://www.sam.gov/portal/SAM/#1
Where to Go for Help

DFAS COLUMBUS
1-800-756-4571

DFAS INDIANAPOLIS
1-888-332-7366

DFAS ROME
1-800-553-0527

DFAS CLEVELAND
1-855-608-3975
Where to Go for Help

**Important Websites/Links**

- DFAS Home Page
  - One-Stop Shop for ALL your payment questions and links to valuable resources

- iRAPT/WAWF
  - Invoice, receipt, acceptance, property transfer & Wide Area Workflow (your electronic invoicing tool)
    - [https://wawf.eb.mil/](https://wawf.eb.mil/)
  - Includes training tutorials, how to, and additional reference material

- MyInvoice Tutorial (YouTube) (Payment Status Online)
  - [https://www.youtube.com/watch?v=sbYi85oRH5o](https://www.youtube.com/watch?v=sbYi85oRH5o)

- System for Award Management (SAM)
  - [https://www.sam.gov/portal/SAM/#1](https://www.sam.gov/portal/SAM/#1)

- Prompt Payment Act

- United States Treasury – Prompt Payment Calculator
  - [https://www.fiscal.treasury.gov/fsservices/gov/pmt/promptPayment/promptPayment_home.htm](https://www.fiscal.treasury.gov/fsservices/gov/pmt/promptPayment/promptPayment_home.htm)