



# Payment Terms and Conditions in Government Contracts



# Prompt Payment

## Prompt Payment (31 U.S.C. Section 3901) FAR 52.232.25

Notwithstanding any other payment clause in this contract, the Government will make invoice payments under the terms and conditions specified in this clause. The Government considers payment as being made on the day a check is dated or the date of an electronic funds transfer (EFT). Definitions of pertinent terms are set forth in sections 2.101, 32.001, and 32.902 of the Federal Acquisition Regulation. All days referred to in this clause are calendar days, unless otherwise specified. (However, see paragraph (a)(4) of this clause concerning payments due on Saturdays, Sundays, and legal holidays.)

(a) Invoice payments- (1) Due date. (i) Except as indicated in paragraphs(a)(2) and (c) of this clause, the **due date** for making invoice payments by the designated payment office is **the later of the following two events**:

(A) **The 30th day after the designated billing office receives a proper invoice** from the Contractor (except as provided in paragraph (a)(1)(ii) of this clause).

(B). For a final invoice, when the payment amount is subject to contract settlement actions, acceptance is deemed to occur on the effective date of the contract settlement.

(ii) If the designated billing office fails to annotate the invoice with the actual date of receipt at the time of receipt, the invoice payment due date is the 30th day after the date of the Contractor's invoice, provided the designated billing office receives a proper invoice and there is no disagreement over quantity, quality, or Contractor compliance with contract requirements.

(c) *Fast payment procedure due dates.* If this contract contains the clause at 52.213-1, **Fast Payment Procedure, payments will be made within 15 days after the date of receipt of the invoice.**



# Contractor Invoice

**FAR 52.232.25 Cont.** - (3) Contractor's invoice. The Contractor shall prepare and submit invoices to the designated billing office specified in the contract. A proper invoice must include the items listed in paragraphs(a)(3)(i) through (a)(3)(x) of this clause. If the invoice does not comply with these requirements, the designated billing office will return it within 7 days after receipt (3 days for meat, meat food products, or fish; 5 days for perishable agricultural commodities, dairy products, edible fats or oils, and food products prepared from edible fats or oils), with the reasons why it is not a proper invoice. The Government will take into account untimely notification when computing any interest penalty owed the Contractor.

- (i) Name and address of the Contractor.
- (ii) Invoice date and invoice number. (The Contractor should date invoices as close as possible to the date of the mailing or transmission.)
- (iii) Contract number or other authorization for supplies delivered or services performed (including order number and line item number).
- (iv) Description, quantity, unit of measure, unit price, and extended price of supplies delivered or services performed.
- (v) Shipping and payment terms (e.g., shipment number and date of shipment, discount for prompt payment terms). Bill of lading number and weight of shipment will be shown for shipments on Government bills of lading.
- (vi) Name and address of Contractor official to whom payment is to be sent (must be the same as that in the contract or in a proper notice of assignment).
- (vii) Name (where practicable), title, phone number, and mailing address of person to notify in the event of a defective invoice.
- (viii) Taxpayer Identification Number (TIN). The Contractor shall include its TIN on the invoice only if required elsewhere in this contract.
- (ix) Electronic funds transfer (EFT) banking information.



# Fast Payment Procedure

## FAR 52.213-1

- (a) General. The Government will pay invoices based on the Contractor's delivery to a post office or common carrier (or, if shipped by other means, to the point of first receipt by the Government).
  
- (b) Responsibility for supplies. (1) Title to the supplies passes to the Government upon delivery to-
  - (i) A post office or common carrier for shipment to the specific destination; or
  
  - (ii) The point of first receipt by the Government, if shipment is by means other than Postal Service or common carrier.
  
- (2) Notwithstanding any other provision of the contract, order, or blanket purchase agreement, the Contractor shall-
  - (i) Assume all responsibility and risk of loss for supplies not received at destination, damaged in transit, or not conforming to purchase requirements; and
  
  - (ii) Replace, repair, or correct those supplies promptly at the Contractor's expense, if instructed to do so by the Contracting Officer within 180 days from the date title to the supplies vests in the Government.

See FAR 13.4 for conditions for use



## Fast Pay Invoice

FAR 52.213-1 cont.

(c) Preparation of invoice.

(1) Upon delivery to a post office or common carrier (or, if shipped by other means, the point of first receipt by the Government), the Contractor shall-

(i) Prepare an invoice as provided in this contract, order, or blanket purchase agreement; and

(ii) **Display prominently on the invoice "FAST PAY."** Invoices not prominently marked "FAST PAY" via manual or electronic means may be accepted by the payment office for fast payment. If the payment office declines to make fast payment, the Contractor shall be paid in accordance with procedures applicable to invoices to which the Fast Payment clause does not apply.

**(e) FAST PAY container identification.** The Contractor shall mark all outer shipping containers "FAST PAY" When outer shipping containers are not marked "FAST PAY," the payment office may make fast payment. If the payment office declines to make fast payment, the Contractor shall be paid in accordance with procedures applicable to invoices to which the Fast Payment clause does not apply.



# FAR 52.216-7 Allowable Cost and Payment

- 52.216-7 Allowable Cost and Payment.
- As prescribed in 16.307(a), insert the following clause:
  - Allowable Cost and Payment (AUG 2018)
  - (a) Invoicing.
    - (1) The Government will make payments to the Contractor when requested as work progresses, but (except for small business concerns) not more often than once every 2 weeks, in amounts determined to be allowable by the Contracting Officer in accordance with Federal Acquisition Regulation (FAR) subpart 31.2 in effect on the date of this contract and the terms of this contract. The Contractor may submit to an authorized representative of the Contracting Officer, in such form and reasonable detail as the representative may require, an invoice or voucher supported by a statement of the claimed allowable cost for performing this contract.
    - (2) Contract financing payments are not subject to the interest penalty provisions of the Prompt Payment Act. Interim payments made prior to the final payment under the contract are contract financing payments, except interim payments if this contract contains Alternate I to the clause at 52.232-25.
    - (3) The designated payment office will make interim payments for contract financing on the \_\_\_ [Contracting Officer insert day as prescribed by agency head; if not prescribed, insert "30th"] day after the designated billing office receives a proper payment request.
  - In the event that the Government requires an audit or other review of a specific payment request to ensure compliance with the terms and conditions of the contract, the designated payment office is not compelled to make payment by the specified due date.

**For Use with Cost Type or T&M Contracts**



## References

- FAR 52.212-4 Contract Terms and Conditions – Commercial Items
- FAR 52.213-1 Fast Payment Procedure
- FAR 52.216-7 Allowable Cost and Payment (cost and T&M contracts)
- FAR 52.232-16 Progress Payments
- FAR 52.232-25 Prompt Payment
- FAR 52.232-40 Providing Accelerated Payments to Small Business Subcontractors – 40 parts to this clause, highlighting one