



OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

August 12, 1998

ACQUISITION AND  
TECHNOLOGY

DP/CPF

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES  
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT,  
ASN(RD&A)/ABM  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(CONTRACTING), SAF/AQC  
ASSISTANT DEPUTY ASSISTANT SECRETARY-OF THE ARMY  
(PROCUREMENT)/DIRECTOR FOR CONTRACTING  
SENIOR PROCUREMENT EXECUTIVE, DEFENSE  
LOGISTICS AGENCY.

SUBJECT: Progress Payment Distribution

Contracting officers responsible for administering progress payments shall provide progress payment distribution instructions to the contract paying office for certain new contracts awarded after August 31, 1998. This requirement applies to any fixed-price contract funded with multiple appropriations that is other than a firm fixed price contract. Contracts that are not firm fixed price, e.g., fixed-price incentive contracts, typically require adjustments to obligated funds during contract performance. Most of our contracts with progress payments are firm fixed price and do not need distribution instructions, since they do not entail this kind of adjustment.

Distribution instructions shall include sufficient information to enable the paying office to distribute progress payments from each appropriation funding the contract, in proportions that reasonably reflect the performance of the work on the contract. Instructions shall be updated as necessary. FPI contracts typically include a requirement for quarterly submittal of a contract funds status report (CFSR). The CFSR indicates funds usage by appropriation and should be used in preparing progress payment distribution instructions. Absent a CFSR, the contracting officer should use any other information available to arrive at a best estimate of how appropriations are being used to perform the contract, but it should not be necessary to require contractors to provide any additional information to support this requirement. For research and development funded contracts, contracting officers may assume contractor work will be performed using the earliest fiscal year's funding first, unless there is information available to the contrary.

The foregoing direction requires contracting officers to develop distribution instructions for each appropriation on the contract. However, paying offices maintain contract payment

records using the accounting classification reference numbers (ACRNs) that identify each long line of accounting data cited by the contract. A single appropriation may be included in more than one line of accounting data, and thus be identified by more than one ACRN. Therefore, when providing distribution instructions to the paying office, the contracting officer shall further distribute payment amounts by ACRN. This ACRN-level distribution will ordinarily be on a pro rata basis across the amount to be distributed from each appropriation, unless the contracting officer has information indicating otherwise.

My staff point of contact for this policy is Mr. Richard Brown, (703)695-7197 (e-mail:brownrg@acq.osd.mil).

A handwritten signature in cursive script that reads "Eleanor R. Spector". The signature is written in black ink and is positioned above the printed name and title.

Eleanor R. Spector  
Director, Defense Procurement