



DEFENSE FINANCE AND ACCOUNTING SERVICE

COLUMBUS
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DFAS-BA/CC

APR 30 2003

MEMORANDUM FOR DEFENSE ACQUISITION REGULATIONS COUNCIL
ATTN: MS. SANDRA HABERLIN

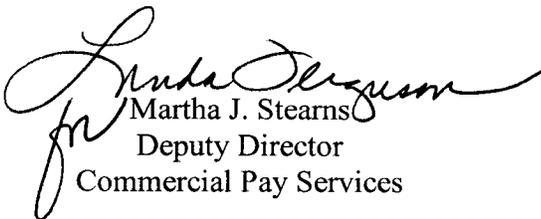
SUBJECT: Defense Federal Acquisition Regulation Supplement (DFARS); Payment
Withholding, Proposed Rule DFARS Case 2002-D017

The proposed rule applies only to Time and Material and Labor Hour Contracts. Implementation of the proposed rule would require modification(s) to existing contracts to stop the automatic withholding of funds based solely on the contract type or Federal Acquisition Regulation (FAR) clause 52.232-7. The proposed rule should instruct the contractor to forward all subsequent vouchers to Defense Finance and Accounting (DFAS), through the Administrative Contracting Officer (ACO) for approval, until such time that the ACO considers sufficient reserves to be set aside to adequately protect the Government's interests. The rule must specify whether the clause is retroactive or applies from a specific official date forward to all Time and Material and Labor Hour contracts.

The ACO must inform DFAS when he/she intends to withhold funds from a contract and there must be a process to link the modification with the vouchers being submitted to DFAS for payment. The modification must specify the percentage of the amounts due up to a maximum dollar amount.

DFAS recommends that final vouchers be processed with a minimal amount of delay through Defense Contract Audit Agency (DCAA), with coordination by the ACO. After the review is completed, all closeout/release paperwork should be attached to the final voucher for submission to the payment office.

Comments on the proposed rule are attached for your consideration. Questions may be addressed to Ms. Joyce Weeks, DFAS-BAP/CC, at 614 693-8933.


Martha J. Stearns
Deputy Director
Commercial Pay Services