



A Procurement Technical Assistance Center (PTAC)

# CONTRACT FINANCING

5TH ANNUAL DEPARTMENT OF DEFENSE CONTRACT MANAGEMENT UPDATE

Oshkosh, WI - May 15, 2018



# ABOUT WPI SUPPORTING THE MISSION

SERVING WISCONSIN  
COMPANIES FOR 30 YEARS!

Assist businesses in creating,  
development and growing their  
sales, revenue and jobs through  
Federal, state and local government  
contracts.

*WPI is a Procurement Technical Assistance Center (PTAC) funded in part by  
the Defense Logistics Agency (DLA), WEDC and other funding sources.*

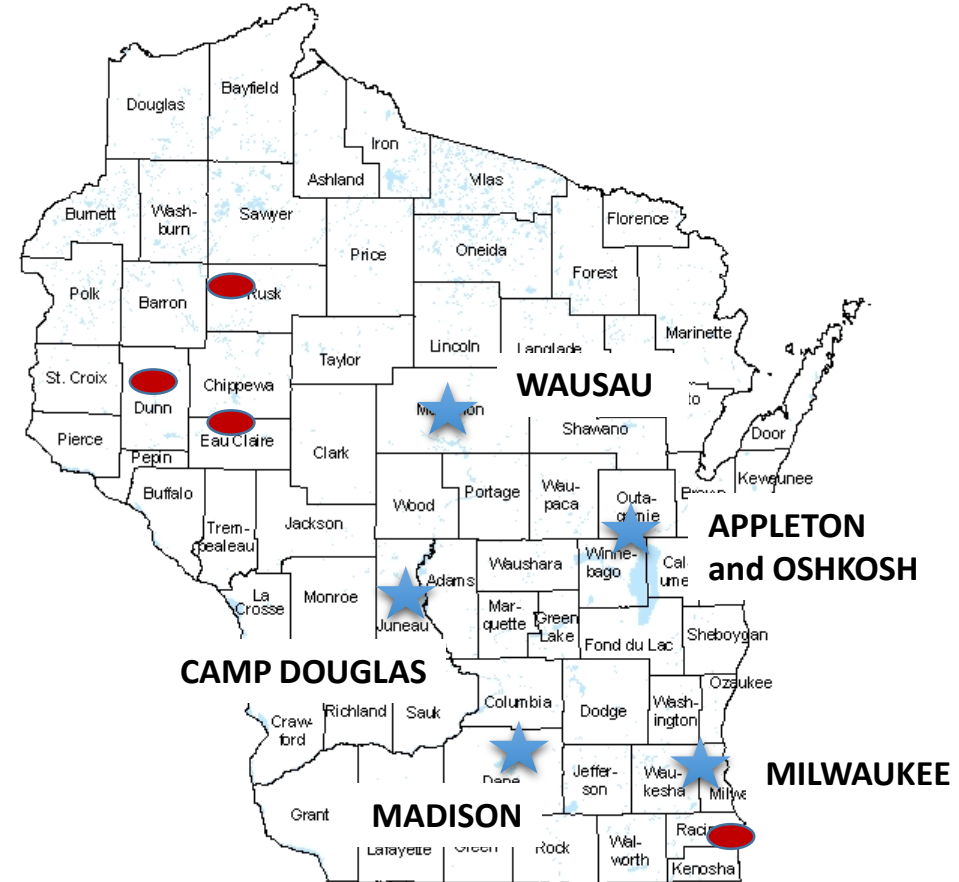


## WPI OFFICE LOCATIONS

- MILWAUKEE – *Technology Innovation Center*
- MADISON –
  - *Madison Enterprise Center*
  - *FEED Kitchens*
- CAMP DOUGLAS – *Juneau County Economic Development Corporation (JCEDC)*
- WAUSAU – *Wausau Region Chamber of Commerce*
- APPLETON / OSHKOSH – *Fox Valley Technical College*

## WPI partner co-locations

- Eau Claire – *Western Dairyland*
- Ladysmith – *Indianhead Community Action Agency*
- Menomonie – *Dunn County EDC*
- Racine - *Launchbox*



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FAQS

# CONTRACTING BASICS AND WOMAN OWNED BUSINESS CERTIFICATIONS - MAY 3RD, MADISON

[www.wispro.org](http://www.wispro.org)

## UPCOMING EVENTS

APRIL 26 2018  
PREPARING A WINNING GOVERNMENT PROPOSAL  
MILWAUKEE »

MAY 1 2018  
FEDERAL ACQUISITION REGULATIONS (FAR) REVIEW -  
SESSION 12: PARTS 42-45

MAY 3 2018  
CONTRACTING BASICS AND WOMAN OWNED  
BUSINESS CERTIFICATIONS  
MADISON, WI »

MAY 3 2018  
BUILDING YOUR BUSINESS – DEVELOPING THE TOOLS  
FOR GROWTH AND SUCCESS FOR NATIVE AND TRIBAL  
SMALL BUSINESSES  
HALES CORNERS (MILWAUKEE) »

MAY 8 2018  
ACQUISITION HOUR: HOW TO QUICKLY ANALYZE  
SOLICITATIONS

## CURRENT OPPORTUNITIES (3)

# WHAT WE WILL COVER TODAY

- Overview
- The Rules
- Payments to Small Businesses
- Contract Specific
- SBA Loan Programs
- Summary

# OVERVIEW

# BASICS

- Contract Financing is covered in Part 32 of the Federal Acquisition Regulations (FAR)
  - Section contains 11 subparts.
  - Has 39 clauses / provisions that apply to payments
  - Many of the clauses and provisions have alternates as well
- Different clauses and provisions apply to specific types of contracts
- Contract type, complexity, and dollar amount impacts financing options
- The options include a number of exceptions and required approvals for use
- Agency supplemental regulations may include additional clauses and provisions for payments as well



# BOTTOM LINE

Providing financing to contractors is not the normal way the Government does business

# THE RULES

# CONTRACT FINANCING PAYMENT

Authorized Government disbursement of monies to a contractor prior to acceptance of supplies or services by the Government including

- Advance payments
- Performance-based payments
- Commercial advance and interim payments
- Progress payments based on costs
- Progress payments based on percentage or completion stage
- Interim payments under a cost reimbursement contract

# INVOICE PAYMENTS

Government disbursement of monies to a contractor under a contract for supplies or services accepted by the Government including

- Payments for partial deliveries that have been accepted by the Government
- Final cost or fee payments where amounts owed have been settled between the Government and the contractor
- All payments made under fixed price construction and fixed price Architect-Engineer contracts
- Interim payments under a cost reimbursement contract for services when Alternate I of the Prompt Payment Clause is used

# GOVERNMENT SPECIAL PAYMENT TYPES

- Progress Payments – based on percentage of work completed
  - Construction contracts
- Partial Payments
  - Made on partial deliveries accepted by the Government if
  - The amount due on the deliveries warrant it or
  - The Contractor requests it and the amount due on the deliveries is at least \$1,000 or 50 percent of the total contract price
- Advance Payments – allowed in certain circumstances
  - Subscriptions and training
- Contract financing shall not be provided for purchases made under Simplified Acquisition Threshold (SAT)



# UNUSUAL CONTRACT FINANCING

Any financing not deemed customary contract financing by the agency that is legal and proper under applicable laws, but that the agency has not authorized contracting officers to use without specific reviews or approvals by higher management

# ASSIGNMENT OF CLAIMS

- Usually Government does not provide financing or loans
- Assignment of Claims is the transfer or making over by the contractor to a bank, trust company, or other financing institution, as security for a loan to the contractor, of its right to be paid by the Government for contract performance.
- Assignment of Claims may be allowed with payments made directly to a financial institution when
  - Payments are \$1,000 or more
  - Contract does not prohibit the assignment
  - The assignment covers all unpaid amounts
  - Payment is made only to one party
  - Written notice of assignment is completed
- Assignment of Claims format is located in FAR 32.805(c)

# NON-COMMERCIAL ITEM PURCHASE FINANCING

- Methods:
  - Advance Payments – advances of money from the government to the prime
  - Progress Payments based on cost – made on the basis of cost as the work progresses
  - Loan Guarantees – Private financing backed by the Federal Reserve
  - Partial Payments for accepted supplies and services
  - Progress payments based on a percentage or stage of completion
  - Performance Based payments – made on the basis of performance measured by objective, quantifiable methods

# COMMERCIAL ITEM PURCHASE FINANCING

- Financing is normally the contractors responsibility
- Types of payments for commercial item purchases
  - Commercial Advanced payment – made before any performance of work
  - Commercial Interim payment – only given after some work has been completed
  - Delivery payment – payment for accepted supplies or services (includes partial deliveries)

# LIMITATION CLAUSES

## For Cost-Reimbursement Contracts

- Limitation of Cost clause, 52.232-20, is used in cost-reimbursement contracts that are fully funded. Contractor has no authority to work beyond the cost ceiling of the contract
- Limitation of Funds clause, 52.232-22, is used in incrementally funded Cost-reimbursement contracts. Contractor has no authorization to work beyond the funding currently provided at that point in time, even if the contract scope (objectives) has additional activity planned
- BOTH types must be monitored closely



# PERFORMANCE BASED PAYMENTS

- The Government's most preferred financing method, to be used when it is agreed upon by both parties
- May only be used when:
  - The contracting officer and contractor agree on the performance-based payment terms
  - The contract is a Fixed-Price type contract
  - The contract, individual order, or line item is a fixed-price type;
  - For indefinite delivery contracts, the individual order does not provide for progress payments; and
  - For other than indefinite delivery contracts, the contract does not provide for progress payments
- The basis for Performance Based Payment may be either:
  - A specifically described event (e.g. milestone)
  - A measurable criterion of performance

# PROMPT PAYMENT

- Government is required to make prompt payments to contractors
- Payment due dates are the later of 30<sup>th</sup> day after billing office receives a proper invoice or the 30<sup>th</sup> day after Government acceptance of supplies delivered or services performed
- There are exceptions for items such as food and construction services generating a shorter time frame
- There are additional guidelines for payment to small businesses

# LOAN GUARANTEES FOR DEFENSE PRODUCTION

- A contractor, subcontractor, or supplier that needs operating funds to perform a contract related to national defense may apply to obtain a Government guarantee for their loan made by a private financial institution. Usually requires an assignment of claims.
- Designated agencies
  - Department of Defense
  - Department of Energy
  - Department of Commerce
  - Department of Interior
  - Department of Agriculture
  - General Services Administration
  - NASA

# PAYMENTS TO SMALL BUSINESSES

# OFFICE OF MANAGEMENT AND BUDGET (OMB)

- Memorandum M-11-32, dated September 14, 2011, “Accelerating Payments to Small Business for Goods and Services” requires Federal agencies to pay small business contractors within 15 days of receiving invoice and confirmation that goods or services have been received and accepted.
- Memorandum M-12-16, dated July 11, 2012, “Providing Prompt Payment to Small Business Subcontractors” requires agencies to pay prime contractors within 15 days, in order to allow them to provide prompt payments to small business subcontractors.



# CONTRACT SPECIFIC

# REVIEW SOLICITATION DOCUMENT

- What payment clauses and provisions are included?
- How will payment be made, how often can invoices be sent?
- Are partial payments authorized?
  - Can you make partial shipments and receive partial payments?
  - Can you invoice when each item / clin number has been shipped or completed?
- Are progress payments included?
- If price is for “one job”, are there milestones you can submit an invoice at? If no milestones, you may want to propose milestones as part of your proposal to facilitate partial payments. Or, you may want to break the one job into small tasks to allow for payment.

# IMPORTANT INFORMATION

- Have finances in order prior to looking for government work
- Maintain good records
- Understand the invoice process – each agency has their own process
  - Where to submit
  - How to submit
  - When to submit
- Submit properly prepared invoices

# PROPERLY PREPARED INVOICE

- Name and address of the Contractor
- Invoice date and number
- Contract number, line item number, and obligation number (purchase order number)
- Description, quantity, unit of measure, unit price and extended price of the items delivered
- Shipping number and date of shipment, including the bill of lading number and weight of shipment if shipped on Government bill of lading
- Terms of any discount for prompt payment offered
- Name and address of official to whom payment is to be sent
- Name, title, and phone number of person to notify in event of defective invoice
- Taxpayer Identification Number (TIN) if required by other contract terms
- Electronic funds transfer (EFT) banking information if instructed to provide. Generally must be provided previously.

# SBA LOAN PROGRAM

# Process Overview

## SB A Loan Guarantee Programs

Small Business Works with a lending partner

Lending partner puts the loan in place

SBA guarantees the loan



Lending partner



Loan



Small business  
(You)

## Variety of Loan Programs

- 7(a)
- 504
- Community Advantage
- International
- Microloans (not guaranteed by the SBA)

## One of Several Programs

- CapLines
  1. Working Capital-(LOC) Revolving Line of Credit
  2. Contract-Can finance all costs (excluding profits)
  3. Seasonal-Seasonal working capital needs
  4. Builders-Finances direct costs in building a commercial or residential structure

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# SUMMARY

# SUMMARY

Understand how and when the Government will pay you under each contract. Never assume one contract is the same as another.

If you are going to need funding to fulfill your Government contract, the time to line up financing is before you submit your bid. Obtaining financing may take some time. Having funding in place before submitting your bid will help you avoid potential delivery problems later on.

# UPCOMING TRAINING - EVENTS

## WHAT IS WPI'S CURRENT WEBINAR SCHEDULE?

May 22, 2018 – **Export Compliance and Small Business** – [CLICK HERE](#) for additional information – presented by Emily A. Constantine – Attorney – Husch Blackwell LLP

May 23, 2018 – **Cyber Security for Current and Prospective DOD Contractors and Subcontractors** – [CLICK HERE](#) for additional information – presented by Marc Violante – Wisconsin Procurement Institute (WPI)

<https://www.wispro.org/faqs/what-is-wpis-webinar-schedule/>

June 5, 2018 – **Invoicing the Department of Defense Using WAWF/iRAPT**– [CLICK HERE](#) for additional information – presented by Benjamin Blanc – Wisconsin Procurement Institute (WPI)

June 6, 2018 – **Flow-down Clauses – Management and Responsibilities for Federal Contractors** – [CLICK HERE](#) for additional information – presented by Carol Murphy – Wisconsin Procurement Institute (WPI)

June 12, 2018 – **Code of Business Ethics and Conduct in Government Contracting** – [CLICK HERE](#) for additional information – presented by Emily A. Constantine, Attorney, Husch Blackwell LLP

June 13, 2018 – **Update on the Fair Labor Standards Act** – [CLICK HERE](#) for additional information – presented by Corey Walton, Community Outreach and Resource Planning Specialist, U.S. Department of Labor/Wage & Hour Division

June 26, 2018 – **Export Controls – ITAR and Associated Requirements** – [CLICK HERE](#) for additional information – presented by Marc Violante, Wisconsin Procurement Institute (WPI)

# 12TH ANNUAL VOLK FIELD – FORT MCCOY SMALL BUSINESS CONFERENCE

JUNE 19, 2018 FORT MCCOY, WI

Start Date	June 19, 2018
End Date	June 20, 2018
Facility	Ft. McCoy Building 905
Address	Ft. McCoy Building 905 11th Avenue Fort McCoy, WI
Contact Info	Dave Olson davido@wispro.org (608) 338-8018
Details	<a href="#">Read More Information</a>
Agenda	<a href="#">View The Agenda</a>
Register Online	<a href="#">Register for Event</a>

Previously known as the Annual Volk Field Small Business Conference – this year, the conference will be held at Ft. McCoy.

**CLICK HERE** to view more information at the conference website

**\*Registration for this event will close June 5, 2018 – Early registration ends May 29th\***



**REGISTER**

Fort McCoy

Volk Field Air National Guard Base

Juneau County Economic Development Corporation

American Indian Chamber of Commerce (AICCW) – First American Capital Corp. (FACC)

Center for Economic and Entrepreneur Development (CEED)

Small Business Administration (SBA)

Western Dairyland

Wisconsin Economic Development Corporation (WEDC)

Wisconsin Procurement Institute (WPI)

<https://www.wispro.org/events/12th-annual-volk-fieldfort-mccoy-small-business-conference/>



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SAVE THE DATES  
**2018 MARKETPLACE**  
December 12-13, 2018

LOCATION:  
Potawatomi Conference Center  
Milwaukee, Wisconsin

**THANK YOU**

**2017**



# QUESTIONS?

# PRESENTED BY

Wisconsin Procurement Institute (WPI)

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