

INVOICE REVIEW AND APPROVAL PROCESS

For purposes of this Guidebook, the terms "voucher" and "invoice" are used interchangeably.

A. PURPOSE

The purpose of this document is to provide invoicing guidance and describe responsibilities, procedures, and instructions governing the review and approval of contractor invoices by the Contracting Officer's Representative (COR) and Contracting Officer (CO). This guidance will help ensure that invoices are properly and consistently reviewed and analyzed in a standardized manner prior to making payments to contractors. An audit report issued in September 2012 by the Office of the Inspector General (OIG) found various inconsistencies and irregularities in the COR invoice review and approval process, in particular, so this guidance seeks to bring greater clarity and continuity to the invoicing review process. However, the focus of this guidance is not to discuss the nuances of any NRC automated invoice approval system.

B. APPLICABILITY

This guidance is applicable to contracts and orders above the micro-purchase threshold (currently \$3,000).

C. POLICY

1. It is the policy of the U.S. Nuclear Regulatory Commission (NRC) to review invoices thoroughly to ensure adequate information (proper rationale and documentation) exists to support payment of contractor invoices in a timely manner. Adherence to this policy will result in payment of costs which are allowable, allocable, and reasonable; and avoid interest penalties due to late payments pursuant to the Prompt Payment Act (PPA), as implemented in FAR Subpart 32.9 – "Prompt Payment."
2. In accordance with FAR 32.905 - "Payment documentation and process," the following are **minimum** requirements for a valid invoice:
 - a. Complete contract number, including task/delivery order number (if applicable);
 - b. Name and address of contractor;
 - c. Invoice date;
 - d. Invoice number;
 - e. Description of supplies/products/services provided;

- f. Quantity of services/supplies provided;
 - g. Unit of issue – as specified in the “Schedule of Supplies”;
 - h. Manufacturer’s part number (as applicable), as specified in the contract;
 - i. Unit price and extended total, for each contract line item number (CLIN);
 - j. Invoice total;
 - k. Shipment number (as applicable);
 - l. Postage and transportation (as applicable), if authorized by the contract to ship “Prepay and Add” include the transportation cost as a separate line;
 - m. Required certification – as required by the contract (e.g., certification of conformance, CO approval, etc.);
 - n. Taxpayer Identification Number (TIN), if not required to be registered in the Central Contractor Registration (CCR);
 - o. Registration in the CCR, when applicable;
 - p. Electronic funds transfer (EFT); and
 - q. Any other contract-directed requirements.
3. The CO is responsible for protecting the Government’s interests and should conduct general monitoring of invoices and periodic post-payment invoice reviews to ensure compliance with contractual requirements. Invoice reviews are strongly encouraged, with at least an annual review at the level and breadth determined to be appropriate by the CO. Invoice reviews provide assurances that paid invoices included adequate rationale and support documentation for proper payment to occur.

The CO relies on the COR for quality and cost control during contract performance and for the day-to-day responsibility of the invoice review and approval process.

Major objectives of the invoice review process include, but are not limited to, determining whether:

- supplies or products delivered and/or services performed met contract requirements.
 - billed costs were for authorized work under the contract.
 - CO approvals were provided, as required, and documented in the contract file.
 - prices paid by the NRC were allowable, allocable, and reasonable.
 - invoices complied with AMD Billing Instructions attached to the contract.
 - billed costs or invoices were duplicative, resulting in double billing.
 - any overpayments or underpayments were made to the contractor.
4. When incorrect or improper invoices (not in accordance with the terms of the contract or order) are received, they must be returned to the vendor within five (5) calendar days from invoice receipt.
5. Direct and Indirect Costs

Federal Acquisition Regulation (FAR) 2.101 defines direct costs as “any cost that can be identified specifically with a particular final cost objective.” Contractors are expected to make every effort to identify all costs that are direct. The FAR defines an indirect cost as “any cost not directly identified with a single, final cost objective. It is not subject to treatment as a direct cost.” Further, an indirect cost must not be allocated to a final cost objective if other costs incurred for the same purpose in like circumstances have been included as a direct cost of that or any other final cost objective. Indirect costs are classified and grouped together into indirect cost pools, typically either an overhead cost pool or the G&A cost pool.

The COR and CO must each ensure that the contractor treats costs consistently when submitting invoices under a contract; however, this is the primary responsibility of the CO.

6. Contracting Officer (CO) Approval

COs (or CSs if delegated) must review contractors’ invoices and supporting documentation once the COR has reviewed the information and provided comments.

Both positions have general responsibilities that include:

- Ensuring the accuracy and completeness of the invoice.
- Ensuring adequacy and relevancy of supporting documentation.
- Approving payment.

7. Documentation

All invoices certified, whether in hard copy or by electronic means, must be supported with sufficient documentation to enable the audit of the transactions. Documentation must include, but is not limited to:

- Contractor’s proper invoice.
- Adequate supporting cost documentation, including source documentation as appropriate (i.e., receipts, logs, time sheets, payroll records, etc.).
- Monthly Letter Status Report (MLSR).

8. Internal Controls

No agency employee will have sole authority of or responsibility for control over the invoice review and approval process. Accordingly, an employee cannot serve as both the CO and COR for the same invoice review under a contract or

order. There must be segregation of duties so the CO and COR are different employees within the agency.

9. Quality Assurance Process

Post-payment reviews should be conducted periodically to assure compliance with agency policies and procedures, which may include statistical sampling of paid invoices to determine proper payment and compliance. More targeted reviews may be conducted at the agency's discretion to address possible instances of improper payments to contractors or cases of suspected fraud.

AMD and OCFO are both jointly responsible for ensuring that COs and CORs adhere to agency invoice review and approval policies and procedures.

10. Payment Approval

COs are ultimately responsible for approving proper payments from available appropriated funds to contractors or individuals for authorized work under valid contractors/orders. At a minimum, CO approvals will be based on a thorough review of the contractor's invoice, supporting cost documentation (including source documentation as appropriate), MLSR, and any information generated from the COR's review of the contractor's invoice.

11. Construction Payments

The Prompt Pay Act requires that construction contract progress payments be made within 14 calendar days after NRC receives a proper invoice from the contractor, unless a longer payment period is included in the contract. Interest payments are due if progress payments, approved as payable, remain unpaid for a period of more than 14 calendar days after receipt of an acceptable, proper invoice, unless a longer payment period is included in the contract.

When incorrect or improper invoices (not in accordance with the terms of the contract/order) are received, they must be returned to the vendor within five (5) calendar days from invoice receipt.

12. Accelerated Payments

NRC may use accelerated payment methods when processing invoices, including expedited payments intended to improve small business cash flow.

13. Contractor Claims

OCFO reviews claims made by contractors for non-receipt of payment and coordinates with the CO and COR, as necessary. NRC may recertify a payment from the appropriation from which the original payment was made. Any claims that result from contractor disputes will be addressed by the CO, only

14. Contract Completion Invoice

Upon completion of the contract, the contractor is required to submit a final invoice designated or marked as "completion voucher" together with such other documents as prescribed by the contract or agency guidance. Approval and payment by the Government of the contractor's final invoice constitutes complete and final payment to the contractor, except for any funds held in reserve pending submission of the contractor's signed Release of Claims. However, final invoices are typically forwarded to the Defense Contract Audit Agency (DCAA) for cost-reimbursement type contracts/orders, pending resolution of final indirect cost rates (i.e., Fringe, Overhead, G&A, etc.).

15. Withholding and Release of Contract Reserves

Contractual provisions covering fixed-fee (over 85% fee threshold), patents, royalties, etc., usually provide for the accumulation of a withholding reserve until certain contract requirements are met to the CO's satisfaction. Therefore the COR should ensure that adjustments are being made to the contractor's invoices to account for such withholdings, and coordinate with the CO and OCFO to ensure that the amounts are properly held in reserve.

16. Typical Invoice Problems

- a. Inflated/unrealistic labor hours.
- b. Unsupported other direct costs (ODCs).
- c. Unauthorized overtime charges.
- d. Incorrect labor category or level of expertise (i.e., Economist Level I versus II, etc.).
- e. Management oversight hours disproportionate to workers hours.
- f. Duplicate invoice.
- g. Wrong invoice assigned to a contract/order.
- h. Math errors.
- i. Error listing the complete contract/task order number.
- j. Wrong price (proposed vs. negotiated).

- k. Incorrect CLIN or SubCLIN identified.
- l. No point of contact listed.
- m. No date or period of time for which the work was accomplished.
- n. Incorrect/missing shipment information.
- o. No remittance address.
- p. Prompt pay discounts not offered.

D. BACKGROUND

Federal Acquisition Regulation (FAR) 1.604, "Contracting Officer's Representative (COR)" authorizes Contracting Officers to delegate oversight of contract administration to another individual, which includes the review and approval of contractor invoices. At the NRC, COs delegate CORs the invoice review function since they are more knowledgeable of the technical aspects of the contracts/orders and are responsible for the inspection and acceptance of deliverables received or services performed, as specified under NRC contracts/orders.

The invoicing processing is a critical aspect of contract administration. Contractors are permitted to submit invoices on at least a monthly basis and must follow NRC's established AMD Billing Instructions for fixed-price, cost-reimbursement, and time-and-materials/labor-hour contracts. In response, NRC is expected to make timely payments to contractors in exchange for receipt of acceptable supplies and services required under agency contracts.

The contractor must meet its contractual obligations including quality, quantity and timeliness requirements for deliverables and contract performance in order to be compensated fully and timely. A process for effectively and efficiently meeting the agency's payment obligations is an essential part of the agency's responsibility, with AMD and OCFO each fulfilling major invoice responsibilities and working together collaboratively.

COs must ensure that contractor invoice reviews are sufficiently performed in a manner that is thorough, complete, accurate, and consistent. Although recommendation for approval of payments to contractors is typically obtained from the COR, authority to approve or disapprove payment of invoices is ultimately the responsibility of the CO.

Quality communication and coordination between the CO, COR, and OCFO is key to the overall success of the invoice review and approval process and helps the NRC comply with the Prompt Payment Act.

The CO affixes NRC Billing Instructions as part of contracts and orders. The CO and COR should review these instructions with the contractor, especially at the Post-Award Kickoff Meetings, to ensure mutual understanding of the requirements to avoid confusion and unnecessary payment delays during contract administration.

CORs are typically in a good position to assess the reasonableness of billed costs while COs determine the allowability and allocability of incurred costs with the contract's terms and conditions and Federal regulations (i.e., Federal Travel Regulations - FTR). Approval of an invoice and subsequent payment made to the contractor implies that work is progressing at a satisfactory level in accordance with the terms and conditions of the contract. Therefore, it is imperative that COs and CORs alike be aware of what the agency is receiving and that the deliveries and services meets contract requirements and prescribed quality standards.

The COR's recommended approval of a invoice implies that to the best of the COR's knowledge, the nature, type, and quantity of effort or supplies being received from the contractor are in accordance with the Statement of Work (SOW), deliverables, and contract terms and conditions,.

CORs provide support to the CO by monitoring the contractor's performance throughout the period of performance through a combination of routine reviews of source documentation, as appropriate for the contract type and nature of services provided; report reviews; site visits; quality testing (sampling); periodic meetings with contractor personnel; and other surveillance activities and methods.

In cases of enterprisewide contracts or other indefinite delivery contracts, CORs should work collaboratively through "multi-office coordination" to ensure consistent billings for contractor personnel and other costs.

E. GENERAL INVOICE REVIEW PROCESS

The COR is delegated responsibility for assisting the CO with determining and authorizing payment, by performing the following major tasks:

1. Reviews Invoices
2. Determines Correct Payment Amounts
3. Approves Invoice Amounts
4. Makes Recommendations to the CO
5. Reviews Invoices Within NRC Established Time Parameters

1. Reviews Invoices

Recommends Whether Payment Can be Made

Before the COR can initiate the payment process, proper inspection and acceptance of the products or services must occur.

The COR may need to obtain necessary documentation from the CO or contractor in order to make this determination. They may include:

- Documentation to support successful delivery of products or completion of services, including inspection forms, receiving reports, commercial shipping documents, and/or packing lists, if the deliveries are made at remote locations.
- Documentation on suspension of performance.
- Documentation on remedies applied by the CO, such as liquidated damages against the contractor for late work or rejection of defective deliverables or inferior service.
- Reductions in progress payments.
- Interim or final adjustments to the contract price.
- Modifications to the contract.
- Termination settlements.

Review the Payment Document for Completeness

The COR is required to review the invoice and contact the CO immediately if a problem or deficiency exists which may preclude payment of the invoice in part or in full.

The COR should initially review the invoice to ensure the presence and accuracy of the information, including compliance with contract requirements and NRC Billing Instructions.

Accept Invoice or Notify the CO of Defects Found in an Invoice

Once an invoice is received, the COR evaluates the invoice and either accepts it or notifies the CO of any deficiency. CORs must notify contractors of invoice deficiencies in writing within **5 calendar days** after receipt of the invoice. Incomplete or incorrect invoices should normally be returned to the contractor by the CO. However, if the COR retains the invoice while the contractor attempts to correct the deficiency, a record should be kept of the number of days of delay caused by the contractor for the purposes of adhering to the Prompt Payment Act.

2. Determines Correct Payment Amounts

Identify Contract Terms and Conditions

The COR should identify applicable contract terms and conditions affecting payment, such as:

- Cost/Price of applicable work requirements and deliverables
- If performance-based, performance standards and incentives/disincentives
- Payment provisions (in-full, partial, performance, or progress)
- Period for acceptance
- Discounts

- Liquidated damages for prior defective products or inferior service or other contract deficiencies, to be applied to and deduction from contractor's next invoice

Obtain Documents and Determinations

Supporting information and documentation for invoices is essential when verifying contractor billing costs for:

- Work that has been completed
- Work in process

The need for supporting documentation will vary considerably depending on the type of contract and requirements, but the contractor must adequately support the amounts claimed on the invoice before payment can be approved.

Invoice Documentation

Invoices submitted to the agency by the contractor should list corroborating documentation or information concerning all incurred costs. These may include:

- Contractor, subcontractor, or supplier billing statements
- Contractor internal cost documents or timesheets
- Referenced cost-expenditure files where detailed information or data are stored
- Inspection or receiving reports
- Commercial or Government shipping documents
- Determinations on billing rates, including indirect cost rates
- Reports on contractor indebtedness
- Status of Federal tax delinquencies
- Determinations for reductions in progress payments
- Determinations for the adjustment of liquidation rates for progress payments

Identify Disapproved Costs

The COR should determine when invoiced amounts cannot be paid. Reasons for nonpayment or disallowance include:

Withholdings and Deductions in Fixed-Price Contracts

- A withholding is a subtracted amount that may be paid at a later date.
- A deduction is an amount that is permanently subtracted from an invoice for, say, unsatisfactory or missing work, unless a contractor provides appropriate supporting documentation for the reinstatement of any deducted amount.

Withholdings Cost-Plus-Fixed-Fee (CPFF) Contracts

- A withholding is generally related to an amount retained by the Government after the contractor has received 85% of its fixed-fee amount. (See FAR 52.216-8 – “Fixed Fee”)
- At the NRC, the 15% fixed-fee balance is withheld by the agency pending successful contract closeout.

Unallowable Costs in Cost-Type Contracts

In a cost-type contract, the COR should examine each cost (direct or indirect) billed to assess whether the cost is allowable and refers any questions to the CO. Invoice documentation, must support whether or not costs are allowable. These costs are subject to a determination of allowability by the CO, OIG or DCAA auditor. Factors for determining whether a cost is allowable include:

- Reasonableness. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business.
- Allocability. A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship.
- Allowability. A cost that is reasonable, allocable, consistently treated, necessary, compliant with the contract, and incurred during the contract period for the intended purpose.
- Cost Accounting Standards (CAS).
https://www.acquisition.gov/far/current/html/Subpart%2030_1.html#wp1068566
- Terms and Conditions of the contract.
- Office of Management and Budget (OMB) Circulars on cost principles.
http://www.whitehouse.gov/omb/circulars_default/

- Any other cost limitations as set forth in Government guidelines for cost principles.

3. Approves Invoice Amounts

Once all appropriate withholdings and deductions are identified, the COR determines the amount due the contractor, and transmits the recommendation to the CO. If approved by the CO, the contractor will then be issued:

- Payment in full,
- Partial payment, or
- Non-payment (*typically due to nonconforming products or services*).

4. Makes Recommendations to the CO

The COR notifies the CO if there are differences between the amount of the invoice and the amount the Government proposes to pay; and the CO notifies the contractor. The Government must accurately present all factual data that justifies the difference and the contractor should be provided with an opportunity to present its position for full payment.

Some reasons for the differences may include:

- Performance problems.
- Unallowable costs.
- Defective products or inferior service.
- Inexcusable delays.

If a contractor disagrees with the calculated amount, the COR should notify the CO who will make a final determination. This decision is transmitted by the CO to the contractor for formal reply.

5. Reviews Invoices Within NRC Established Time Parameters

- CORs are the first agency officials required to review and respond to contractor invoice submissions. CORs have **7 calendar days** from the date of invoice receipt to respond to the CO with his or her recommendation for payment approval.
- If the COR recommends full or partial denial of payments, a reason for the denial must be provided to the CO.
- The CO has **3 calendar days** to approve an invoice, and forwards to the contractor.

- However, in the event that an invoice is “improperly” submitted (e.g., incorrect contract/order number, invoice amount, labor categories, contract rates, CLINs, etc., or no EFT, TIN), it is must be rejected as an improper invoice and returned to the vendor within **5 calendar days** from the date of receipt (including weekends and holidays). Also, an invoice is considered improper if it is received before the product or service is inspected and accepted by the COR.
- Given the short timeframe, it is imperative that CORs and COs review the invoice information as soon as possible to at least ensure that a “proper” invoice has been submitted to the Agency.
- When returning an improper invoice, the CO should deny the invoice and must convey all defects in the invoice to the contractor with the denial decision.
- If the COR is unsure about the allowability or allocability of billed costs or contractor compliance issues, he or she must immediately contact the CO to seek guidance.
- *Note: The Prompt Payment Act (31 U.S.C. § 3901 et seq.) requires Federal agencies to pay interest penalties when payments are more than 30 days after the agency receives a proper invoice for payment.*

Website References:

<http://www.fms.treas.gov/prompt/index.html>

<http://www.fms.treas.gov/prompt/questions.html#invoice>

F. AUTHORITY GOVERNING CONTRACT INVOICING RESPONSIBILITIES

The Office of the Chief Financial Officer (OCFO) is responsible for overseeing all financial management activities relating to NRC’s programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. OCFO collaborates with AMD to implement the invoice review and approval process. NRC Management Directive 11.1 provides general policy guidance for the review and approval of contractor invoices.

To perform quality contract administration, the COR should have sufficient technical knowledge and expertise in the work covered by the contract. For more complex requirements, the COR may have to consult with other Federal personnel on technical issues, but remains the official liaison of the CO for any technical communications with the contractor, including technical interpretations and direction.

Payment to a contractor implies work is progressing according to the contract’s terms and conditions and any established contract milestones. Therefore, CORs must ensure

the Government is getting what it is paying for when the supplies or services are needed. CORs should monitor contractor performance through review of Monthly Letter Status Reports (MLSR) and other reports, onsite visits, surveillance, visual inspection, testing, and/or sampling methods to evaluate the quality of work products. It is vital that CORs review invoices thoroughly and in a timely manner. If problems are identified in performance of the contract or during the CORs review of an invoice, the COR must immediately convey those concerns to the CO so they can be appropriately considered and resolved. COR approval of an invoice implies that, to the best of the COR's knowledge, the nature, type, and quality of effort and/or materials being expended are in accordance with the expected progress and contract requirements. The COR assists the CO by ensuring that recommended payments to the contractor are for deliverables or services performed that meet contract/order requirements.

G. PRIMARY ROLES AND RESPONSIBILITIES

Office of the Chief Financial Officer (OCFO) - oversees all financial management activities relating to NRC's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309.

Contracting Officer (CO) – serves as a certifying officer with the responsibility for “approving payments” to contractors by verifying the accuracy and propriety of all documents and records upon which payment to the contractor is based and ensuring that the payment is legal, correct, and proper. The CO is responsible for ensuring that contract invoices are properly reviewed and analyzed, and that the Government makes payments to contractors only for goods and services received, inspected, and accepted pursuant to contractual terms and conditions. *(Note: The CO may delegate this function to the CS, but is still ultimately responsible for making proper and timely payments to contractors regardless of any delegations of authority.)* The CO ultimately relies on the COR for quality and cost control for the majority of the year.

Contracting Officer's Representative (COR) – receives written delegated authority from a Contracting Officer to provide contract oversight during contract administration for responsibilities including invoice reviews. The COR does not actually approve invoice payments to contractors, but he or she makes recommendations to the CO for approvals. The COR has the day-to-day responsibility of the invoice review and approval process and is responsible for carefully reviewing contractor invoice documentation, including source documentation depending on the type of contract, contract mechanism, goods and services procured from the contractor, and complexity of the contractual relationship. In case of enterprisewide contracts or other indefinite delivery contracts, CORs should coordinate with their colleagues in other offices to ensure consistent billings and payments.

Funds Certifying Official – is responsible for certifying funds availability and ensuring that the correct appropriation and funding are used.

H. CONTRACT INVOICE REVIEW AND APPROVAL RESPONSIBILITIES

The Contracting Officer has ultimate responsibility for invoice processing under individual contracts/orders. Under FAR, the Contracting Officer may delegate authority to make certain decisions (FAR 1.102-4), including authority to review and approve contract invoices. At the NRC, the COs delegate invoice reviews to CORs who make approval recommendations to the CO. The table below includes invoice review activities performed by the COR and CO to successfully carry out the invoice review and approval function.

While this list of contract invoice review activities is not all-inclusive, it gives a good indication of consistent steps necessary to follow during the contractor invoice review process for products/services inspected and accepted in accordance with contract terms and conditions. Each of the activities listed below are shared responsibilities, but primary and secondary responsibility designations are provided.

P – Primary Responsibility
S – Secondary Responsibility

MAJOR INVOICE REVIEW ACTIVITES

<i>Verify the following:</i>	COR	CO
1. Invoice complies with the format included in the AMD Billing Instructions affixed to the contract/order.	P	S
2. Invoice information is accurate and complete.	P	S
3. Invoice includes sufficient explanation of billed costs.	P	S
4. Invoice period is within the period of performance of the contract.	P	S
5. Services performed and/or deliverables received are in accordance with the contract.	P	S
6. Services and/or deliverables were inspected and accepted by NRC.	P	S
7. Billed costs are consistent with authorized work covered in the Monthly Letter Status Report (MLSR) for that time period.	P	S
8. Costs were not paid in a previous invoice.	P	S
9. Costs are allowable, allocable, and fair and reasonable.	S	P
10. Costs do not exceed contract ceilings or contract line item number (CLIN) amounts.	P	S
11. Appropriate labor categories are used in accordance with the contract.	P	S
12. Approved work was performed by qualified contractor personnel in		

accordance with contractual requirements, as applicable.	P	S
13. Labor is billed in accordance with established/negotiated contract labor rates.	P	S
14. Other direct costs (ODCs), equipment, and travel costs were authorized or approved in advance.	P	S
15. Subcontract costs were consented to and authorized in advance.	P	S
16. Invoice includes adequate support documentation, including source documents to substantiate billed costs.	P	S
17. Progress payments based on cost must comply with contract terms and conditions.	S	P
18. Performance-based payments comply with contract terms and conditions.	S	P
19. Cost discounts provided in the contract are honored.	P	S
20. Indirect cost rates included in the contract are billed appropriately.	S	P
21. Mathematical calculations are understandable and accurate.	P	S
<p>22. Appropriate invoice deductions are made.</p> <p>Examples include, but not limited to:</p> <p>(a) fixed-fee holdback amounts if fee exceeds 85% threshold for CPFF contracts</p> <p>(b) performance-based deductions</p> <p>(c) overpayment on prior invoices</p> <p>(d) unallowable costs (See FAR Subpart 31.2, "Contracts with Commercial Organizations"</p> <p>http://www.acquisition.gov/far/current/html/Subpart%2031_2.html#wp1095567.)</p>	P	S

23. Whether to suspend costs.	S	P
24. Whether to disallow costs.	S	P
25. Whether correct and sufficient appropriated funding is available to pay the invoice.	P	S
26. Contractor overpayments.	P	S
27. Whether adequate internal controls are maintained by the agency to ensure proper payments are made.	S	P
28. Frequency and parameters of CO post-payment invoice reviews.	S	P
29. Invoice review checklists.	P	S
30. Invoice files.	P	S

Each activity listed in the table above has an explanatory note below for clarification.

EXPLANTORY NOTES:

NOTE 1:

1. **Invoice complies with the format included in the AMD Billing Instructions affixed to the contract/order.**

The COR has primary responsibility for ensuring that the contractor complies with NRC billing instructions affixed to the contract. If the contract includes an outdated version of the agency's billing instructions, the COR should consolidate this request for inclusion of updated billing instructions with other necessary contract modification actions at the earliest possible time, as opposed to initiating a separate requisition. Indefinite Delivery Contracts (IDCs) or Blanket Purchasing Agreements (BPAs) that authorize multiple contract types for task orders should include each set of billing instructions that apply to the contract type authorized under the base contract. The CO is responsible for executing a contract modification with the contractor to ensure current billing instructions are used and ensure the contractor's proper compliance with such instructions.

References:

Billing Instructions for Cost-Reimbursement Contracts:

[Libraries/DocumentDownloadHandler.ashx?LibraryDocumentID=1512](#)

Billing Instructions for Fixed-Price Contracts:

[Libraries/DocumentDownloadHandler.ashx?LibraryDocumentID=1515](#)

Billing Instructions for Time-and-Materials and Labor-Hour Contracts:

[/Libraries/DocumentDownloadHandler.ashx?LibraryDocumentID=1517](#)

Billing Instructions for Fee Recovery:

[/Libraries/DocumentDownloadHandler.ashx?LibraryDocumentID=1513](#)

NOTE 2:

2. **Invoice information is accurate and complete.**

The COR has the primary, day-to-day, responsibility for verifying the accuracy and completeness of invoices. The COR will review all aspects of the invoice including, but not limited to, the use of appropriate functional labor categories listed in the contract; expertise levels (as applicable); labor rates; labor hours expended; relevancy of other direct costs; approved travel; indirect cost rates match Rate Agreement; profit/fee calculations; sufficiency of cost narrative; and supporting documentation. CORs must perform basic math checks on billed costs and gauge accuracy, which could range from general spot checking to a full-scale detailed review of all cost calculations, depending on the size of the

invoice and apparent quality of the information, as well as the contractor's history of submitting accurate and complete invoices under the contract/order.

Ultimately the CO is responsible for taking any and all contractual actions necessary to ensure the accuracy of the invoice process. Therefore, the COR must communicate any errors, omissions, or other concerns to the CO in a timely manner. Inaccurate or incomplete invoicing may constitute an improper invoice and must be returned to the contractor for corrective action.

NOTE 3

3. Invoice includes sufficient explanation of billed costs.

The COR has primary responsibility for reviewing each invoice for proper rationale supporting appropriate cost expenditures. The COR is responsible for reviewing contractor invoice documentation, including source documentation depending on the type of contract, contract mechanism, goods and services procured from the contractor, and complexity of the contractual relationship. The COR will obtain any missing information or explanations needed to conduct a thorough review. Lack of explanation to justify costs could result in disallowed costs or rejection of the invoice in its entirety; thus requiring resubmission by the contractor.

Insufficient explanation of billed costs could result in the CO suspending or disallowing billed costs or rejecting the invoice. The CO is encouraged to communicate any pending action with the contractor in advance and seek necessary clarification, information, or documentation to facilitate proper resolution of agency concerns.

NOTE 4:

4. Invoice period is within the period of performance of the contract.

The COR has primary responsibility for confirming that the work performed is within the period of performance (PoP) of the contract. Any work that falls outside of that time period, unless authorized by the CO, is unallowable. The COR will not compensate the contractor for any billed costs that fall outside of the PoP. If there is an issue with billed costs for periods before or after the contract PoP, the COR will confirm with the CO whether there is documentation of any CO-approved pre-award costs or a CO-approved modification extending the contract PoP.

The CO will facilitate this process by providing the COR copies of any CO approval letters or modifications that extend the PoP.

NOTE 5:

5. **Services performed and/or deliverables received in accordance with the contract.**

The COR has primary responsibility for receiving deliverables from the contractor. The COR must take great care to ensure that the contractor has provided the agreed upon deliverables or services in accordance with the contract and should consult with the CO if there are any concerns. The CO will review the contract's terms and conditions and any attachments, such as a Performance Requirements Summary – PRS (if performance-based), to ensure proper compliance with the contract.

NOTE 6:

6. **Services and/or deliverables inspected and accepted by NRC.**

The COR has primary responsibility for inspecting and accepting deliverables and services provided by the contractor in a timely manner. The COR will not recommend reimbursement to the CO for any billed costs where deliverables or services have not been properly inspected and accepted and do not meet contractual requirements, including minimum quality standards. If performance-based, the COR will review the PRS for established quality standards and deductions for less than satisfactory performance. The COR will recommend any deductions to the CO and provide rationale. In addition, the COR will communicate any contractor compliance matters with the CO for delinquent or defective products or services. The CO will in turn engage the contractor to compel performance, subject to the terms and conditions and limitations of the contract.

NOTE 7:

7. **Billed costs are consistent with authorized work covered in the Monthly Letter Status Report (MLSR) for that time period.**

The COR has primary responsibility for ensuring that invoice submissions are consistent with MLSRs. The COR will analyze all billed costs to verify that the work performed was authorized and commensurate with the MLSR for the invoiced period.

The COR is responsible for reviewing the invoice for consistency with the corresponding MLSR for that period, including adequacy of progress. Any discrepancies between the invoice and MLSR should be immediately shared with the contractor for clarification. Issues that cannot be resolved in a timely manner must be raised with the CO. The CO may suspend or disallow any questioned until such time as the costs are fully explained and documented, and determined to be allowable under the contract.

NOTE 8:

8. **Costs were not paid in a previous invoice.**

The COR has primary responsibility for tracking invoices and ensuring that costs are not paid more than once. If costs are double billed, the COR will share the information with the contractor. If double billing is confirmed, the COR will recommend disallowance of the cost(s) to the CO and deducted from the invoice. Instances of double billing may give rise to greater scrutiny of contractor invoices and increased file reviews to determine the accuracy of paid invoices.

NOTE 9:

9. **Costs are allowable, allocable, and fair and reasonable.**

The CO has primary responsibility for verifying whether billed costs are allowable, allocable, and fair and reasonable.

The CO is responsible for ensuring that indirect cost rates are billed and applied to direct costs on a consistent basis in accordance with the company's negotiated indirect cost rate agreement and the contract's terms and conditions.

While fixed labor rates, fixed-prices, and negotiated fee/profit are determined to be fair and reasonable at time of award, it is important to ensure that the contractor is billing these charges at the correct contract rates, for the right personnel, and for the right work.

Reimbursable costs, such as labor, ODCs, travel and transportation, subcontractor costs, consultancy costs, etc. should be reviewed carefully to ensure that costs were billed appropriately for authorized work and were approved in advance of cost occurrence. The CO confirms that billed travel related expenses are in compliance with Federal Travel Regulations (FTR) and General Services Administration (GSA) established CONUS (US) per diem rates and U.S. Department of State (DOL) foreign per diem rates.

NOTE 10:

10. **Costs do not exceed contract ceilings or contract line item number (CLIN) and SubCLIN amounts.**

The COR has primary responsibility for reviewing and monitoring invoices to ensure compliance with contract ceilings, labor hour ceilings, CLINs, and SubCLINs. The COR must question any billed cost exceeding specified contract ceilings and consult with the CO for any CO-approved contract modification. Otherwise, the billed cost(s) must be disallowable.

NOTE 11:

11. **Appropriate labor categories are used in accordance with the contract.**

The COR has primary responsibility for confirming that the labor categories used by the contractor were included in the contract and appropriate to the work performed. The COR will seek immediate clarification from the contractor if there are positions listed on the invoice that do not appear in the contract. If this is no more than a clerical error or no modification or CO-approval exists, then the COR will recommend that the cost be disallowed.

NOTE 12:

12. **Approved work was performed by qualified contractor personnel in accordance with contractual requirements, as applicable.**

The COR has primary responsibility for verifying that the contractor used personnel who meet prescribed labor requirements set forth in the contract, especially for key personnel. Costs billed for contractor personnel used not meeting contract minimum personnel requirements, if any, is subject to disallowance. The COR must discuss the matter with the CO to seek resolution with the contractor.

NOTE 13:

13. **Labor is billed in accordance with established/negotiated contract labor rates.**

The COR has primary responsibility for verifying that labor rates billed conform to those listed in the contract. The COR will recommend disallowance of any dollar amounts billed by the contractor that exceed contract rates for that period. It is the responsibility of the CO to contact the contractor and seek explanation for overbillings and obtain assurance that the problem is not repeated.

NOTE 14:

14. **Other direct costs (ODCs), equipment, and travel costs were authorized or approved in advance.**

The COR has primary responsibility for verifying that billed costs for ODCs, equipment, travel and transportation costs, subcontractors, and consultants have the necessary prior approvals. The COR will contact the CO if the approvals are not readily accessible and seek guidance. If the contractor billed the agency for costs that were not approved, the costs must be disallowed.

NOTE 15:

15. **Subcontract costs were consented to and authorized in advance.**

The COR has primary responsibility for verifying that billed costs for subcontracts have the necessary prior written approvals. Prime contractors must obtain written consent to subcontract from the CO for subcontracts in accordance with FAR 44.201 if not originally consented to by the CO as part of the contract award.

Upon reviewing the invoice for payment of subcontractor costs, the COR must verify whether the subcontractor was listed by named in the contract at time of award or if the CO provided subsequent written consent. A copy of any CO consent letters and fully executed (signed) copies of subcontracts should appear in the official contract file. The COR should contact the CO if he or she does not have records of such documents to determine whether they are in the official contract file. If there is no evidence of consent being granted, the COR should contact the contractor immediately to seek an explanation and report the information to the CO. If no consent, the COR will recommend disallowance of such costs. The CO should apprise the contractor of the problem and indicate disallowance of the costs. The CO should communicate with the contractor to determine if any mitigating circumstances existed and resolve the matter.

The prime contractor is responsible for submitting proposed subcontracts to the Government after reviewing costs and determining fairness and reasonableness. Any costs incur prior to CO consent are subject to disallowance.

The responsibility of the prime contractor for managing its subcontractors is stated in FAR 42.202(e)(2). The prime contractor is responsible for subcontract awards, technical and financial performance monitoring, ensuring that indirect rate proposals and annual rate adjustments are submitted to cognizant Federal agencies and DCAA in a timely manner, and payment to the subcontractor for the work accomplished under subcontract terms and conditions.

The contract between the Government and the prime contractor should require appropriate flow down clauses into subcontracts, such that subcontracts:

- Provide either the Government or the contractor access to the subcontractor's books and records for the purposes of performing the annual incurred cost audit,
- Require that billings include only allowable costs pursuant to FAR 52.216-7, and
- Require the subcontractor to submit annual incurred cost proposal pursuant to FAR 42.7.

If the contract does not include requisite flow down clauses, the CO is responsible for ensuring that the contract requires them and that the contractor complies.

NOTE 16:

16. **Invoice includes adequate support documentation, including source documents to substantiate billed costs.**

The COR has primary responsibility for verifying that the contractor submits adequate supporting documentation to justify their costs and certifies to the accuracy of all billed costs. Supporting documentation includes, but is not limited to, MLSRs, purchase receipts, timesheets, and personnel logs.

Contractors are required to prepare and maintain official timesheets for their employees and segregate them by contract and major cost objective. In the case of **cost-reimbursement contracts**, CORs will routinely request copies of contractor timesheets to compare hourly rates charged to the NRC under a contract with those rates appearing on company records. The COR's evaluation of source documentation will depend on the contract type, contract mechanism, and nature of goods and services, and complexity of the contractual arrangement. This will help ensure that contractor's are providing accurate billings to the agency, not overcharging for labor costs, and not underpaying where labor costs where Department of Labor Wage Determinations are affixed to the contract. The frequency of review checks may vary depending on the compliance history of the company in meeting contractual requirements, with those firms with higher instances of noncompliance issues receiving greater scrutiny.

If the contractor did not provide an adequate explanation for billed costs with sufficient supporting documentation to facilitate the COR's invoice review, then the COR will immediately contact the contractor and request the necessary information. If the COR is dissatisfied with the contractor's response, he or she will contact the CO for assistance with receiving the requested information.

The COR has responsibility to apprise the contractor that reimbursement of billed costs cannot be paid unless costs were pre-approved and can be verified. Cost verification and insufficient supporting documentation (including source documentation) may result in disallowance of such costs until such time as satisfactory documentation can be provided to the NRC substantiating questioned costs.

NOTE 17:

17. Progress payments based on cost must comply with contract terms and conditions.

The CO has primary responsibility for ensuring the accuracy and appropriateness of progress payments made by the contractor when such payments are authorized in the contract. The COR will review the contractor's request for progress payments and refer any questions to the CO.

Progress payments are a form of Government furnished interest-free financing applicable to undelivered and unbilled items. Progress payments are made to the contractor as work progresses, but not more frequently than monthly.

(See FAR Subpart 32.5:

http://www.acquisition.gov/far/current/html/Subpart%2032_5.html#wp1047463.)

NOTE 18:

18. Performance-based payments comply with contract terms and conditions.

The CO is responsible for ensuring the accuracy and appropriateness of performance-based payments made by the contractor. The COR will review the contractor's request for performance-based payments and refer any questions to the CO. The COR's input is especially important concerning the contractor's progress in meeting contractual requirements, established contract milestones or other performance indicators included in the contract, as applicable.

The contractor's invoice must specify the event or measurable criterion of performance in the contract that has been successfully met in order to receive payment. This may be: (a) performance measured by objective, quantifiable methods, (b) accomplishment of defined events, or (c) other quantifiable measures of results. Payment must be commensurate with the contractor's achievements.

The CO is responsible for authorizing performance-based payments in the contract, but cannot approve performance-based payments unless the contractor has demonstrated accomplishment of the work.

(See FAR Subpart 32.10:
http://www.acquisition.gov/far/current/html/Subpart%2032_10.html#wp1028960.)

NOTE 19:

19. **Cost discounts provided in the contract are honored.**

The COR has primary responsibility for verifying that any cost discounts in the contract are adhered to. Failure on the part of the contractor to provide agreed upon cost discounts must be communicated to the CO. Refusal by the contractor to provide contractual discounts is considered a breach of contract and will be addressed by the CO and funds should be subtracted from the invoice and withheld pending resolution.

NOTE 20:

20. **Indirect cost rates included in the contract are billed appropriately.**

The CO has primary responsibility for confirming that indirect cost rates are billed accurately and consistently based on type of indirect rate, cost pool, and base of allocation. The COR has will review the contractor's billed amounts for indirect costs and refers any questions or concerns to the CO, especially if there are revisions to rates that do not coincide with the contractor's rate agreement and/or contract.

The CO is responsible for monitoring contractor invoices to ensure that rates charged to the contract are correct. Any changes to rates must be verified by the CO with the cognizant Federal agency or DCAA. Affected contracts should be modified to reflect changes in rate information.

FAR 42.704 provides the cognizant CO (which may be at another Federal agency) or auditor responsible for establishing the final indirect cost rates also responsible for determining the billing rates. Provisional billing rates may be established for interim reimbursement purposes until settlement is reached on final rates after the end of the contractor's fiscal year. Billing rates may be prospectively or retroactively revised by mutual agreement, at either the Government's or contractor's request, to prevent substantial overpayment or underpayment. Once the final rates are established, an adjustment is made for any variance between the billing and final rates.

NOTE 21:

21. **Mathematical calculations are understandable and accurate.**

The COR has primary responsibility for verifying that total and cumulative costs billed are summed correctly and rates included are correctly multiplied to arrive at

direct and indirect costs. The CO and COR will perform this verification at the level necessary to ensure calculations are accurate and complete.

NOTE 22:

22. Appropriate invoice deductions are made.

The COR has primary responsibility for recommending invoice deductions in contractor invoices. The COR will monitor and track deductions made and communicate such matters with the CO. The CO ultimately approves deductions in invoice amounts and provides rationale to the contractor for any suspended or disallowed costs.

Examples of invoice deductions include, but are not limited to:

- Under cost-reimbursement contracts, payment of fixed-fee amounts above the 85 percent fee threshold, not to exceed 15 percent of the total fixed-fee or \$100,000, whichever is less.
- Amounts for performance-based service contracts where performance does not meet contractual requirements and/or minimum quality standards for deliverables or services provided by the contract.
- Erroneous overpayment amounts paid to the contractor on a prior invoice(s).
- Unallowable costs paid to the contractor on a prior invoice(s). (See FAR Subpart 31.2, "Contracts with Commercial Organizations.")
- Unauthorized or unapproved costs.
- Incorrect or unsupported costs.

NOTE 23:

23. Whether to suspend costs.

The CO has primary responsibility for suspending payment of inaccurate, unauthorized, unexplained, or unsupported costs, as well as costs that are not allowable, allocable or reasonable. In situations where there are significant math errors, incorrect indirect cost rates, lack of available funding (due to limitation of funds or limitation of cost clauses in the contract), costs not satisfactorily explained, insufficient supporting documentation, unapproved work, or other invoice irregularities, costs may be recommended for suspension by the COR.

If the COR objects to a cost, including work not previously approved, and the contractor disagrees, the CO may suspend payment of those specific costs until

the contractor submits information showing the costs were valid, at which time the CO may lift the suspension.

If work was requested by the COR but not authorized in the contract or by the CO, it may result in the COR being held personally liable for the cost. The CO may pursue a ratification action if it is in the best interests of the agency to compensate the contractor for unauthorized or out-of-scope work. The CO may suspend costs on the invoice until the matter is resolved.

Contractor resubmissions of any previously billed costs that were suspended by the CO should be delineated as a separate item on the invoice so that it is easily recognized and not confused with other billed costs.

NOTE 24:

24. **Whether to disallow costs.**

The CO has primary responsibility for disallowing payment of questioned costs described above. The COR will review the contractor's invoice to verify costs and immediately report any irregularities or discrepancies to the CO that might warrant disallowance.

If the contractor is unable to sufficiently demonstrate and validate the incurrence of costs, the CO may disallow those costs. If the CO determines that billed costs are unallowable, the CO is expected to communicate the matter with the contractor for resolution. Contractor resubmissions of any previously billed costs that were disallowed by the CO should be listed as a separate item on the invoice so that it is easily recognized.

The CO must provide written notification of his or her final decision to the contractor for disallowed costs and apprise the contractor of its right to file a claim under the Disputes clause of the contract.

In the case of Federal cost-reimbursement contracts, the cognizant audit agency (usually DCAA or OIG) performs annual incurred cost audits of direct and indirect costs. These audits are typically performed several years after the contractor's fiscal year is over. Disallowed costs under the contract should be mentioned to the cognizant auditor to ensure that those costs are not mistakenly paid later by the DCAA or OIG auditors.

(See FAR Subpart 31.2, "Contracts with Commercial Organizations.")

NOTE 25:

25. **Whether correct and sufficient appropriated funding is available to pay the invoice.**

The COR has primary responsibility for ensuring that funds are available in the contract to pay for billed costs prior to recommending payment to the CO.

If the contract has insufficient funds to pay an invoice, the CO must suspended payment for the dollar shortage until adequate funds are obtained and obligated to the contract through a contract modification. In order to prevent this situation from occurring, CORs should regularly monitor the status of available contract funding as compared with authorized future expenditures and with the contractor's typical monthly burn rate.

NOTE 26:

26. **Contractor overpayments.**

The COR has primary responsibility for avoiding overpayments made to contractors. If overpayments are identified, the COR will communicate such matters with the CO to facilitate a prompt return of overpayment amounts. Typically, the COR will contact the contractor about the discrepancy and provide notification that a deduction will be made from future invoices submissions under the contract, and afford the contractor an opportunity to respond as appropriate. If the contractor disagrees with the invoice deduction, the CO will attempt to resolve the matter with the contractor.

NOTE 27:

27. **Whether adequate internal controls are maintained by the agency to ensure proper payments are made.**

The CO has primary responsibility for ensuring that adequate internal controls are maintained to avoid erroneously payments to contractors for unallowable costs and avoid overpayments. The CO will coordinate with the COR to ensure that proper invoicing procedures are consistently followed and that invoice reviews are documented to ensure sufficiency. The CO and COR comply with agency invoice review and approval policies and procedures and conduct routine invoice reviews to ensure contractor compliance.

NOTE 28:

28. **Frequency and parameters of CO post-payment invoice reviews.**

The CO has primary responsibility for monitoring paid invoices to ensure that the contractor and agency are fulfilling their respective invoicing roles fully and properly. CO monitoring should be at the level and frequency necessary to ensure that all billed costs paid were done so in accordance with FAR and agency policies and procedures. Monitoring may include one or more detailed reviews of paid invoices during each contract year. However, the nature of the CO reviews will depend on issues such as number and nature of problems encountered, contract type, and contract complexity, and is at the CO's discretion. Ultimately, the CO is responsible for taking necessary actions to ensure the accuracy and completeness of the invoicing process, in collaboration with OCFO.

NOTE 29:

29. **Invoice review checklists.**

The COR has primary responsibility for completing and submitting any required invoice review checklists to the CO to serve as adequate review of a contractor's invoice and file documentation. Invoice checklists are used to demonstrate that an invoice review was properly and thoroughly conducted, noting what was reviewed on each invoice including discrepancies or irregularities. Invoice checklists are intended to assist CORs with their invoice review and approval process and if necessary accompanied with supplemental documentation such as spreadsheets, tables, notes, etc. to demonstrate that invoices were properly reviewed. *Note: The Division of Contracts will issue separate guidance regarding the required use of invoice review checklists and their applicability.*

NOTE 30:

30. Invoice Files.

The CO has primary responsibility for maintaining an invoice log and copies of paid invoices as part of the contract file. Both the CO and COR share in this important responsibility to ensure that there is a complete and accurate record of invoices paid, including discounts taken, suspended or disallowed costs, requests for reimbursement of overpayments, and refunds made to the contractor. Invoice records will eventually be used to support the close-out process as well as any formal contractor claims for disallowed costs.

I. DEFINITIONS

Approval – A favorable decision made by an authorized individual (Contracting Officer) for payment of a submitted invoice in return for the delivery of acceptable goods or satisfactory service performance.

Billed Costs – Costs included in a contractor’s invoice.

Certification – The act of verifying the legality of the obligation to be paid under the particular appropriation, the correctness of the information contained in the invoice and supporting records, and the accuracy of any computations.

Certifying Officer – An individual who has been charged with “approving payment” by certifying invoices for payment and who is responsible for verifying the accuracy and propriety of all documents upon which payment is to be based and certifying that that payment is legal, correct, and proper.

Correct Payment – Means the payee (contractor), address and payment amount are accurate, and it is not a duplicate payment.

Discount for Prompt Payment – An invoice reduction offered by the contractor for payment prior to the due date.

Improper Payment – Any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements, and includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. (See Public Law 111-204, Improper Payments Elimination and Recovery Act of 2010, dated July 22, 2010.)

Internal Controls – The organizational policies and procedures used to reasonably ensure:

- Programs achieve their intended results;
- Resources are used consistent with the agency mission;

- Programs and resources are protected from waste, fraud, and mismanagement;
- Laws and regulations are followed; and
- Reliable and timely information is obtained, maintained, reported and used for decision making.

Invoice – A bill, written document, or electronically transmitted document provided by a contractor requesting payment for goods received or services rendered.

Invoice Review – An examination of an invoice with supporting documentation prior to payment for receipt of a good or service.

Legal Payment – The payment is permitted by law and is consistent with the purpose of the appropriated funds.

Payment Date – The date which a check for payment is dated or, for an electronic funds transfer (EFT), the date when payment is credited to the contractor's financial institutions.

Proper Invoice – An invoice that contains necessary information as delineated in FAR 32.905, "Payment documentation and process," and adheres to NRC-specific billing instructions, format, and documentation requirements.

Proper Payment – Means that appropriated funds are available, the contract or order is valid, goods have been received or services performed, goods or services have been accepted, the invoice is proper, the invoice is properly supported by sufficient documentation or records, and payment is made by an authorized official.

Payment Review – Examination of a transaction after its occurrence. A post-payment review determines if NRC's policies and procedures have been properly followed. This may include verification if paid invoices have necessary documentation and approvals.

Procurement Contract – Means any valid and enforceable agreement, rental and lease agreement, purchase order, delivery order, task order, or contract (including indefinite-delivery contracts).

Receipt of goods and services - The acknowledgement (usually identified with a signature) that goods have been received or services have been performed. This acknowledgment is the basis for approval of an invoice.

Segregation of Duties – The assigning to different individuals the responsibilities of authorizing transactions, recording transactions and maintaining custody of assets. Segregation of duties reduces the opportunities for one person to both perpetrate and conceal instances of fraud and reduces the risk of error, waste, and wrongful or inappropriate acts.

