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Certifying Payments when Invoice Exceeds Estimated Amounts in Purchase Order

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Matter of: Certifying Payments when Invoice Exceeds Estimated Amounts in Purchase Order File: B-254436 Date: March 1, 1994 94-1 CPD Para.

PROCUREMENT Payment/Discharge Payment procedures Invoices Amounts IRS may certify an invoice that exceeds the amount estimated on a purchase order if the certifying activity can document that (1) the invoice accurately reflects services provided to the government consistent with the terms and conditions of the purchase order and (2) funds are available to adjust the obligation based on the purchase order.

DECISION

The question presented here involves certifying payments using invoices rather than basic disbursement vouchers.[1] Use of an invoice in lieu of a voucher is authorized in certain circumstances provided the invoice shows all the information required to certify a voucher for payment. Volume I Treasury Financial Manual (TFM) 4-2025.20 and 4-2035; GAO, Policy and Procedures Manual for Guidance Of Federal Agencies, (GAO-PPM), title 7, Sec. 6.2C (TS No. 7-43, May 18, 1993). Generally, before a basic voucher is certified for payment, it is audited in order to assure that it is proper.[2] The objectives of the prepayment audit include determining whether (1) the payment is in accordance with the terms of the applicable agreement, (2) the amount of the payment is correct, and (3) the appropriation or fund is available for that purpose and amount. 1 TFM 4-2020.30; 7 GAO-PPM Sec. 6.5.[3] Similarly, before certifying an invoice for payment, it should receive the same level of scrutiny as would be appropriate for certifying a voucher.[4]

Normally, the person conducting the prepayment audit and certifying payment should be able to determine the propriety of the payment based on the documentation supporting the payment (e.g, purchase order, invoice, receiving report). 7 GAO-PPM Sec. 6.2B. If unable to determine from the supporting documentation whether the amount claimed is proper, the certifying activity should obtain additional information to determine the amount owed in order to avoid certifying an improper payment.

IRS informally advised us that the purchase order (IRS Form 8235, Order for Supplies or Services) comprises the sole documentation provided by the procurement activity regarding the terms and conditions of its agreement with the contractor. We have also been informally advised that the purchase order states that the amount to be charged for transportation services is an estimate. The agreement clearly contemplates the possibility that charges are not firm and may vary from those indicated.

In arriving at the proper amount to certify for payment, the voucher certification process permits the certifying activity to reconcile discrepancies appearing in supporting documentation and to clarify indefinite provisions regarding price appearing in purchase orders. For example, when the procurement documentation shows that the amount claimed by a payee is less than the amount due the payee, the voucher may be administratively adjusted upward in an amount not exceeding $100 without obtaining an amendment of the claim when it is clear that the claimant otherwise intends to make a claim for the full amount due. 7 GAO-PPM Sec. 6.5C. This is consistent with viewing certifying activities as having reasonable flexibility to reconcile discrepancies in supporting documentation when circumstances warrant and the risk to the government is minimal.

Similarly, whether the certifying activity must obtain a modified purchase order from the procuring activity in order to perform the reconciliation, or may make an administrative adjustment based on some alternative form of supporting documentation, would depend upon the circumstances involved and the risk to the government.[5] For example, in some circumstances it may be appropriate to have the procuring activity provide documentation verifying the invoice prior to certification. In other circumstances it may be appropriate to have the procuring activity provide oral verification prior to certification that may or may not be coupled with a post certification submission of supporting documentation.[6] Finally, the certifying activity should confirm the availability of funds and initiate steps to have the appropriate official adjust the amount obligated to reflect the payment to assure compliance with the requirements of the Antideficiency Act, 31 U.S.C. Secs. 1341, 1511-1519.

1. We address the question presented here only in the context of transportation services that are otherwise authorized to be paid under applicable laws and regulations based on certified invoices. See, e.g., 41 C.F.R. Part 101-41.

2. While payment certifying procedures are primarily directed at protecting the interests of the government, they also serve to protect disbursing and certifying officials who are personally liable for any loss to the government resulting from an improper payment. 31 U.S.C Secs. 3527, 3528; 7 GAO-PPM Sec. 7.1 and chapter 8.

3. A prepayment audit of each voucher may not be necessary since agencies may use statistical sampling for vouchers or items in vouchers not exceeding $2,500. 31 U.S.C. Sec. 3521(b); 7 GAO-PPM Sec. 7.4E and App. III B. Disbursing and certifying officials are not liable for payments made on unaudited vouchers under a statistical sampling procedure provided that the agency carries out diligent collection actions on any improper payment. 31 U.S.C. Sec. 3521(c).

4. This principle also would apply to paying transportation charges on an expedited basis under agency post payment audit procedures authorized by law. See 31 U.S.C. Sec. 3726.

5. Agency internal control procedures should provide for separation of duties to reduce the risk of error, waste, and wrongful acts. This includes ensuring that disbursing operations (which include the voucher audit and certifying duties) are separated from such operations as purchasing, receiving and accounting. 7 GAO-PPM Sec.6.6B and 2 GAO-PPM App. II "Separation of Duties" (TS 2-24 October 31, 1984). Thus, the certifying activity should not normally originate the supporting documentation used to certify payments.

6. We see no impediment to the certifying activity receiving clarifications of ambiguous provisions in supporting documentation and memorializing them in explanatory memoranda accompanying the other supporting documentation in appropriate circumstances when the risk of loss to the government is small and outweighed by the savings derived from such procedures. However, such a procedure should not be viewed as a substitute for producing accurate supporting documentation by other activities. Thus, if discrepancies in documentation are a frequent occurrence, steps should be taken to improve procedures for estimating costs to make them more accurate.