

## 32.503-2 Supervision of progress payments.

(a) The extent of progress payments supervision, by prepayment review or periodic review, *should* vary inversely with the contractor's experience, performance record, reliability, quality of management, and financial strength, and with the adequacy of the contractor's accounting system and controls. Supervision *shall* be of a kind and degree sufficient to provide timely knowledge of the need for, and timely opportunity for, any actions necessary to protect Government interests.

(b) The administering office *must* keep itself informed of the contractor's overall operations and financial condition, since difficulties encountered and losses suffered in operations outside the particular progress payment contract *may* affect adversely the performance of that contract and the liquidation of the progress payments.

(c) For contracts with contractors-

(1) Whose financial condition is doubtful or not strong in relation to progress payments outstanding or to be outstanding;

(2) With management of doubtful capacity;

(3) Whose accounting controls are found by experience to be weak; or

(4) Experiencing substantial difficulties in performance, full information on progress under the contract involved (including the status of subcontracts) and on the contractor's other operations and overall financial condition *should* be obtained and analyzed frequently, with a view to protecting the Government's interests better and taking such action as *may* be proper to make contract performance more certain.

(d) So far as practicable, all cost problems, particularly those involving *indirect costs*, that are likely to create disagreements in future administration of the contract *should* be identified and resolved at the inception of the contract (see [31.109](#)).

**Parent topic:** [32.503 Postaward matters.](#)