

DECISION



**THE COMPTROLLER GENERAL
OF THE UNITED STATES**
WASHINGTON, D. C. 20548

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[Propriety of Payment of Transportation Charges]

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FILE: B-200217

DATE: October 14, 1980

MATTER OF: United States Coast Guard AGC 0007164

DIGEST:

Transportation costs under contract for steel "H" piles, F.O.B. destination, need not be itemized in invoices or verified by check or other means. Such costs are borne by contractor under contract term "FOB destination" and thus if all terms and conditions of contract are met, contract price may be paid without further inquiry into contractor's transportation costs.

An accounting officer of the Seventh Coast Guard District, United States Coast Guard, requests an advance decision on the propriety of payment of transportation charges under a firm fixed price contract, No. DTCG07-80-C-00114.

This contract between the Coast Guard and United States Steel Corporation (U.S. Steel) involved the purchase of steel "H" piles at a price of \$19,149.60. The solicitation requested offerors to quote prices "FOB destination." The record indicates that the invoices submitted by U.S. Steel for delivery of the piles itemized the shipping costs; it also shows that itemization was made solely for tax and internal control purposes.

The question arose because a Coast Guard voucher examiner requested proof that the vendor had paid the transportation costs before approving payment of that portion of the contract price comprising the transportation charges. To date, U.S. Steel has not complied with the examiner's request. The position of the examiner is based on his interpretation of the Department of Transportation Voucher Examiner's Manual for the examination of contracts.

We believe there is no legal requirement that the contractor furnish proof that the transportation costs were paid.

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Paragraph 9.b. of the Vouchers Examiner's Manual states in pertinent part that the examiner shall:

"Prior to making payments under a contract or agreement, determine that the billing and subsequent payment are in accordance with the terms and conditions of the contract or agreement.

* * * * *

Determine that the transportation charges paid by the contractor, to be reimbursed, are itemized in the invoices and show that such costs were paid by him."

The mere fact that U.S. Steel elected to itemize the transportation charges in the invoices submitted does not alter the nature of the contract. We do not believe the transportation charges are reimbursable costs under the contract as envisioned by the DOT manual and therefore are not subject to the manual requirement that the examiner determine that transportation charges were paid by the contractor.

Under an F.O.B. destination contract, the seller agrees to deliver goods at the designated point without charge for prior transportation service. See N. Frank & Son, Inc., B-194253, May 2, 1979, 79-1 CPD 310; Uniroyal International, B-180648, May 17, 1974, 74-1 CPD 266. The contractor, by itemizing the transportation costs on the invoices, does not purport to obligate the Government for those charges. By billing only for the F.O.B. destination contract price, U.S. Steel clearly bears the costs of transporting the piles to destination. See 41 CFR § 1-19.306(b)(6). Therefore, the billing is in accordance with the contract.

Thus, if the terms of the contract have been otherwise performed, the contract award price as represented by the two invoices should be paid.

Shilton J. Fowler

For the Comptroller General
of the United States