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MBA PROFESSIONAL REPORT

**Update of the Navy
Contract Writing Guide**

**By: Chad E Dean and
Nathan P. Vosters**

December 2003

**Advisors: R. Marshall Engelbeck
Jeffrey Cuskey**

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UPDATE OF THE NAVY CONTRACT WRITING GUIDE

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Submitted in partial fulfillment of the requirements for the degree of

MASTER OF BUSINESS ADMINISTRATION

from the

**NAVAL POSTGRADUATE SCHOOL
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UPDATE OF THE NAVY CONTRACT WRITING GUIDE

ABSTRACT

The purpose of this MBA Project is to provide a comprehensive update of the Navy Contract Writing Guide. The project was conducted with the sponsorship and assistance of the Office of the Assistant Secretary of the Navy for Research, Development, and Acquisition. The now out of date guide was originally written in 1996 in an effort to reduce problem disbursements as related to contract wording and organization. Extensive research, incorporating interviews, websites, periodicals, and texts, was employed to make the guide current. It has been reorganized to address issues and solutions in the same order in which the forms used by contracting officers and administrators have them listed. New issues have been raised since the original writing of this guide and are now incorporated with their recommended solutions. Individuals new to Naval contracting or those who have decades of experience will find the information provided useful to the efficient and effective writing and administration of government contracts.

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EXECUTIVE SUMMARY

The purpose of this MBA Project is to provide a comprehensive update of the Navy Contract Writing Guide. The project was conducted with the sponsorship and assistance of the Office of the Assistant Secretary of the Navy for Research, Development, and Acquisition. The first version of the guide was written in 1996 in an effort to reduce problem disbursements as related to contract wording and organization. Extensive research, incorporating interviews, websites, periodicals, and texts, was employed to make the guide current. It has been reorganized to address issues and solutions in the same order in which the forms used by contracting officers and administrators have them listed. New issues have been raised since the original writing of this guide and are now incorporated with their recommended solutions. The new issues were identified through extensive literature search and interviews. The research not only highlighted new issues, but confirmed that old issues had not been resolved since the original distribution of the guide. Individuals new to Naval contracting or those who have decades of experience will find the information provided useful to the efficient and effective writing and administration of government contracts.

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I. BACKGROUND

“Contracting officers are responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships. In order to perform these responsibilities, contracting officers should be allowed wide latitude to exercise business judgment.”¹ Additionally, according to the Federal Acquisition Regulation (FAR) performance standards, the Federal Acquisition System will minimize administrative operating costs². In keeping with the guiding principles and responsibilities stated by the FAR, the contracting officer must ensure that contracts are written clearly and concisely in order to facilitate their administration and payment.

The Defense Finance Accounting Service-Columbus (DFAS-Columbus) is responsible for the payment of all Defense Contract Management Agency (DCMA) monitored contracts. In an audit of DFAS-Columbus, the Department of Defense Inspector General (DODIG)³ reported that during October 1994 to September 1995, the number of overdisbursed contracts increased from \$1.19 billion to \$1.59 billion and the number of contracts overdisbursed increased from 2629 contracts to 3,029 during the same period. Program offices, contract offices, and DFAS are expending significant amounts of time, and program dollars on contracted support to fix payment problems and reconcile problem disbursements.

In an effort to improve the contract closeout process and reduce problem disbursements, the Department of Navy and Headquarters, Air Force Material Command published contract writing guidelines. The Navy Contract Writing Guide (NCWG), originally distributed in 1996, was not intended to be directive in nature, but rather to be used as a reference by contracting professionals when writing contracts. In 1999, the DODIG submitted a report that showed that between June 1996 and June 1998 problem

¹ Federal Acquisition Regulation, 1.602-2.

² Federal Acquisition Regulation, 1.102(b)

³ Overdisbursed and Unreconciled Contracts... 4 Jun. 1996

disbursements at DFAS-Columbus decreased from \$13 billion to \$11.1 billion. While the NCWG may have contributed to the decrease, problem disbursements and contract closeout problems still exist.

After the release of the first version of the Navy Contract Writing Guide, numerous General Accounting Office (GAO) reports have reported on the problems that exist within the Department of Defense. In February and April 1997 in a study conducted at DFAS-Columbus, the GAO reported⁴ that there were three major factors contributing to payment processing problems: (1) nonintegrated computer systems often require data to be entered manually; (2) multiple documents must be matched before contractors are paid; (3) payments are allocated among numerous accounting classifications. The GAO also stated that other factors that contributed to payment problems were the complexity of contracting requirements for major weapons systems.

In August 2003, the GAO submitted a report that highlighted the continued payment problems at DFAS Columbus⁵. The GAO reported that in an analysis of two major weapons system contracts \$1 of every \$4 in contract payment actions was for adjustments to contracts. The GAO reported that the adjustments were due to complex payment instructions as a result of (1) legal and DOD requirements to track and report on the funds used to finance the contract; (2) substantial number of contract modifications that added goods and/or services; and (3) different pricing provisions for goods and services.

DFAS reports all contract discrepancies to the contracting office on the DD1716 form. This form identifies the discrepancy and the action to be taken by the contracting office. In the monthly report in June 2003⁶, DFAS reported 329 outstanding DD1716s for the Department of the Navy. This comprised 34% of all DD1716s at DFAS-

⁴ Contract Management... GAO Report GAO/NSIAD-97-37

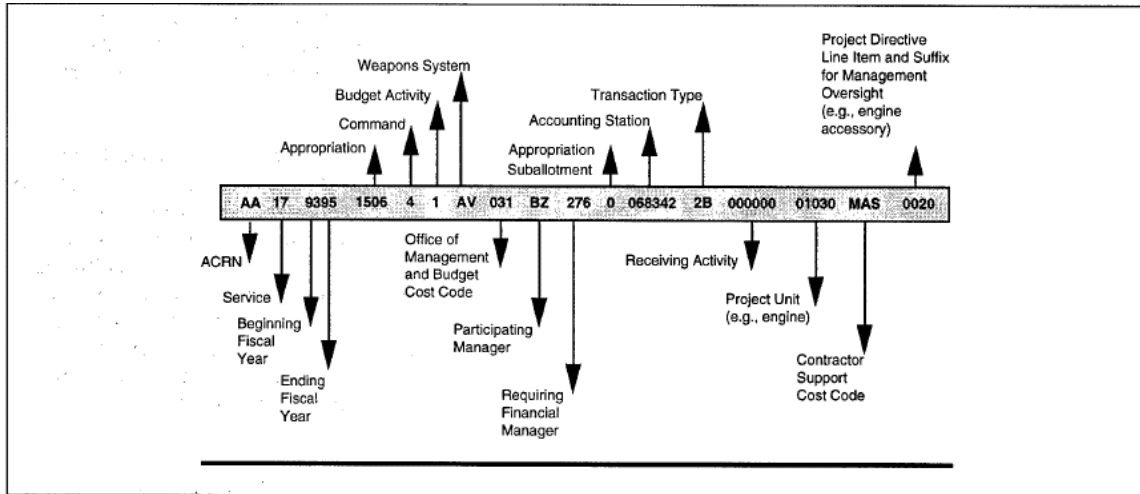
Defense Contract Management... GAO Report GAO/HR-97-4

⁵ GAO Report GAO-03-727

⁶ DFAS June 2003 Report

Columbus. The monthly average for CY03 was 392, up from 314 in CY02. DFAS reported that the top five deficiencies for CY03 were:

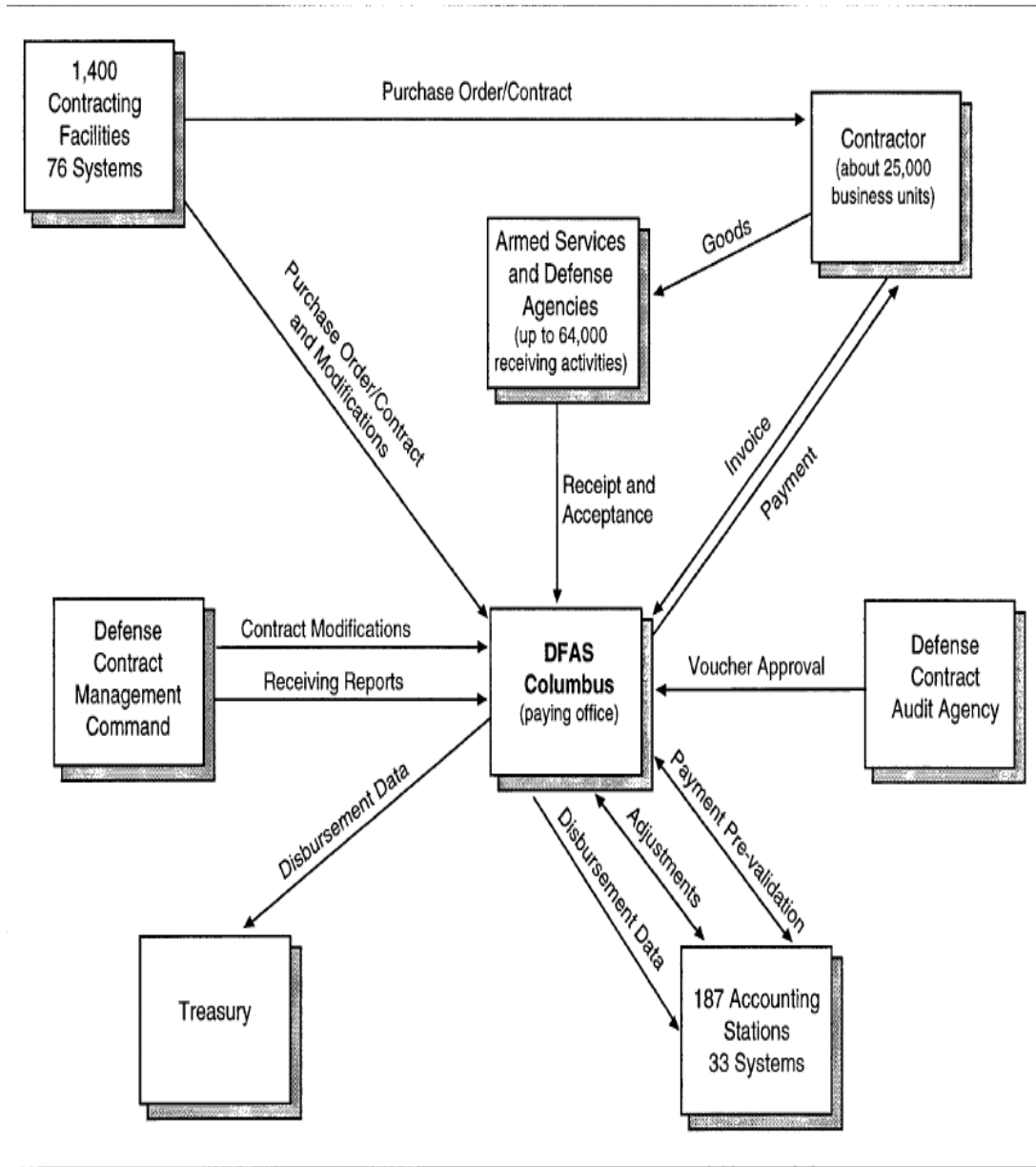
1. Long line of accounting invalid (Figure 1 shows standard line of accounting)
2. Contract and supporting documents are late.
3. Contract Line Item Numbers (CLINS) and Sub Contract Line Item Numbers (SUBCLINS) not structured in accordance with regulations.
4. Contract and supporting documents missing pages.
5. DCMA administered payment office incorrect or needs clarification.



Source: DOD.

Figure 1. Sample line of accounting

These deficiencies are representative of the reasons payment and contract closeout problems exist at DFAS. As highlighted in numerous GAO and DODIG reports, the complex process created due to nonintegrated computer systems is illustrated in Figure 2. As shown in Figure 2, many of the inputs to DFAS Columbus come from Defense contracting and accounting activities. Due to the inability of computer systems to interface, many of these inputs are



Source: GAO.

Figure 2. Contract Administration Process

-From: GAO

entered manually creating a possibility for input errors. In December 1998, the Under Secretary of Defense issued Department of Defense Reform Initiative Directive #47 – End to End Procurement Process (DRID #47)⁷. This directive directed that the formation

⁷ DRID #47

of a Department of Defense (DOD) wide Working Integrated Process Team (WIPT). The WIPT was tasked to develop an end-to-end process model. Figure 3 shows the contract payment process prior to the development of the end-to-end process model. The end-to-end process model created the Defense Procurement Payment System (DPPS) and was

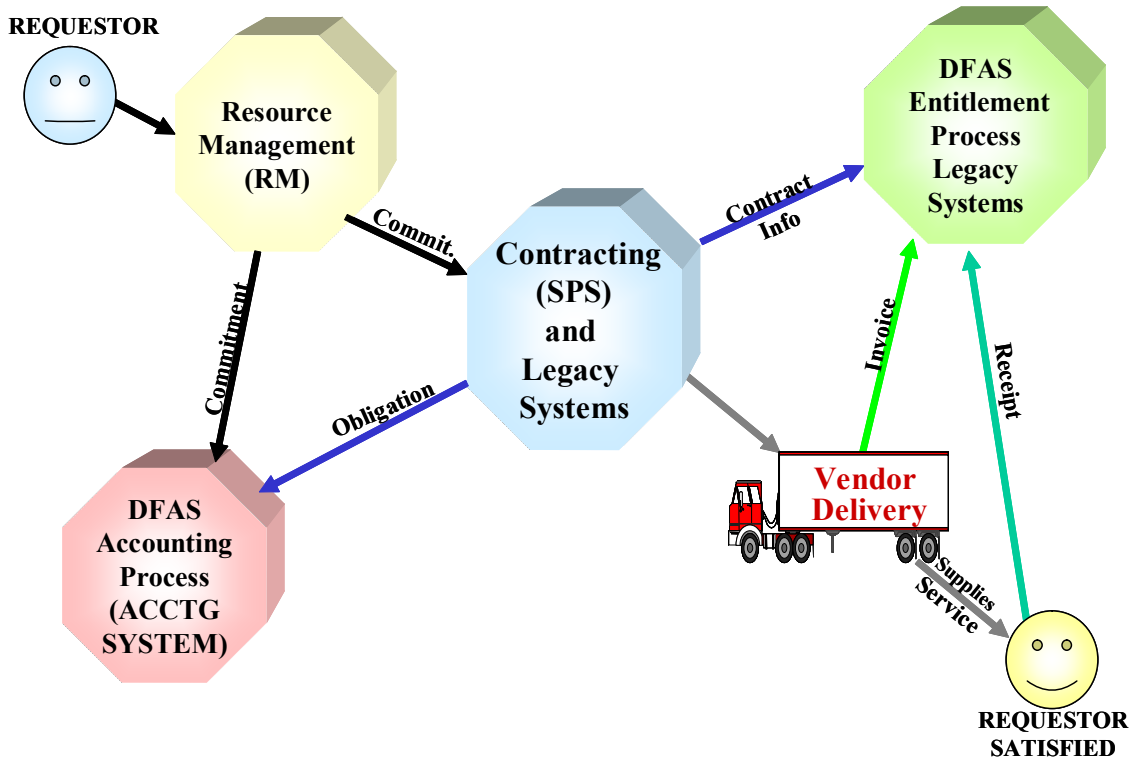


Figure 3. Legacy payment process.

Source: From DFAS

designed to address the problems associated with nonintegration. The DPPS was to interface with the Standard Procurement System (SPS) and replace the Mechanization of Contract Administration Services (MOCAS) system. SPS is used by contracting offices for the input of contracts while MOCAS is used by DFAS-Columbus to compute contractor payments and by DCMA to maintain contract administration and payment data on its contracts. Figure 4 shows the contract payment process with DPPS.

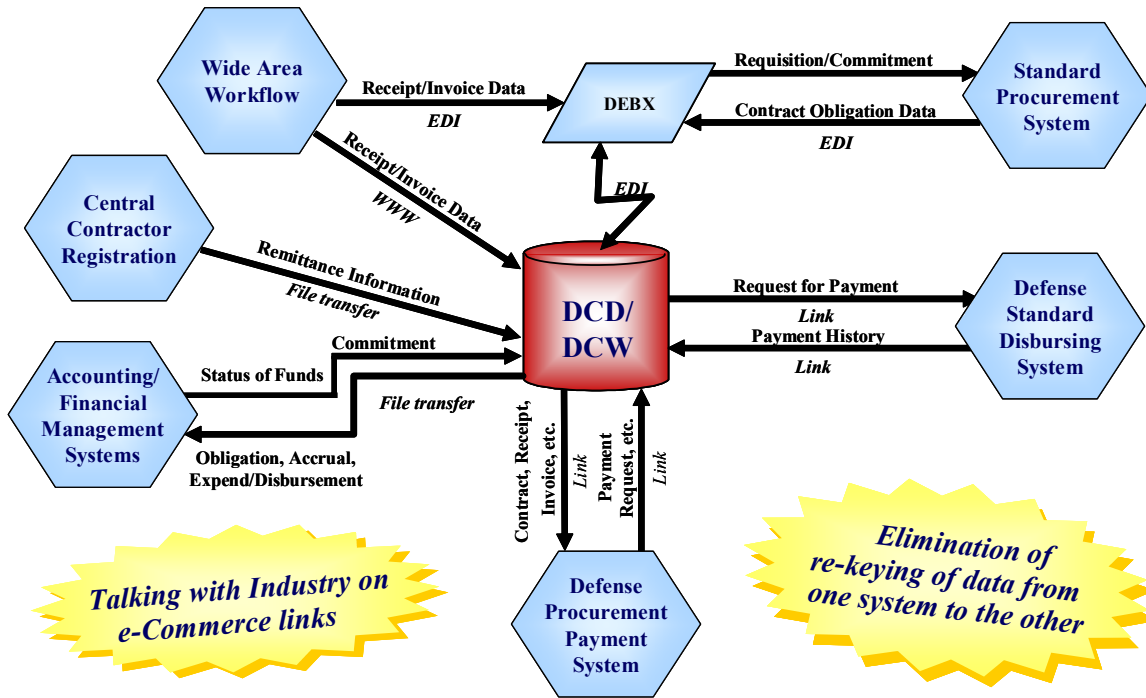


Figure 4. DPPS payment process

Source: DFAS

However, in April 2003, the Department of Defense cancelled the implementation of DPPS citing schedule problems. With the cancellation of DPPS, the integration will be delayed until a new system can be developed. In order to eliminate the problems that relate to the manual processing in the current system, the contracting office must be proactive in the contract writing process. The first edition of the NCWG has been proven to be an invaluable tool.

Since the inception of the first version of the NCWG, numerous regulations and laws have changed in the acquisition community. The NCWG, while a valuable tool in the acquisition process, was outdated and provided solutions that were no longer applicable or incorrect. This update to the guide is not just an update of the regulatory and legal issues, but also a reorganization in a more presentable format for the contracting professional. This version of the NCWG has been formatted to allow the contracting professional to quickly use as a reference while writing a contract. This should promote an even more widespread use of the guide and contracts that are easily understood and paid by DFAS.

II. RESEARCH METHODS

A. OBJECTIVE

The overarching goal of this project is to complete a thorough update of the Navy Contract Writing Guide to better aide those individuals who write and administer contracts daily. To help these contracting professionals, a significant amount of time has been spent researching those issues, problems, and concerns that are most prevalent today. Research concentrated on those issues that have been identified as crucial to successful contracting in the Navy and throughout the Department of Defense. This includes factors that have already been addressed in the previous version of the guide but still remain as problems, and new issues that have been identified as technological advancements have changed the way in which contracting is done. The benefits resulting from well-written contracts cannot be understated, as this aspect of the military directly correlates to the success of the warfighter. It is with the warfighter in mind that research has been conducted. Well-written contracts can be executed more efficiently, helping to keep programs on target with regard to cost, schedule, and performance. This project will provide the reader with an understanding of the scope of this undertaking in addition to a reorganized and updated guide.

B. RESEARCH QUESTIONS

a. Primary Research Question

The primary research question shaping the outcome of this project was: What are the current issues that need to be addressed in the Navy Contract Writing Guide? This broad question provided the latitude needed to complete a thorough update of the guide. Using a variety of research methods, data was collected that aiding in effectively addressing issues that plague contracting personnel.

b. Secondary Research Questions

Several secondary research questions were identified at the outset of the project to address several smaller, but still important issues. These questions are:

- In what way can the Navy Contract Writing Guide be better organized, in an effort to increase its use by contracting personnel?

- What information contained in the guide is out of date and needs to be removed?
- What are some general lessons learned during the update of the guide that would be important to convey to future users?
- How can updating the Navy Contract Writing Guide, and the knowledge gained from that process contribute to the contracting that takes place in other services and other departments of the federal government?

C. SCOPE AND ORGANIZATION

This project was conceived with the intention of completely updating the Navy Contract Writing Guide. It is with this overarching goal in mind that the scope of the project is defined. In fact, the scope of this project is identified in the title with the word *update*. To the reader, this should mean that the guide will retain the majority of the information that it originally contained. The changes made as result of the work performed will include: 1) an organization that mirrors that of the forms used by contracting professionals; 2) removal of information that has been overcome by events, or has been determined to provide no value; 3) addition of information that has been necessitated by technological advances; 4) and addition of information that has been identified as important by defense finance contracting professionals.

The organization of this project follows the progression of the work completed. Using three chapters and one attachment, the reader will be able to gain an appreciation for the research conducted, the determinations and findings based on this data, and finally see the changes recommended by referencing the updated version of the Navy Contract Writing Guide. This project is intended for readers of all experience levels. Assuming little background knowledge, but also writing for those who have a very broad background in government contracting, this project should bring a wide variety of individuals to a common understanding and knowledge level regarding the writing of contracts in the U.S. Navy.

An introduction to the project will be found in Chapter 1. This provides the reader an overview to the project detailing the research performed and the information conveyed.

In Chapter II, the reader will be provided with a greater understanding of the research objective, scope, and methodology that was employed in the completion of this project.

Chapter III will provide the reader with recommendations for future action to be taken on the rewrite of the Navy Contract Writing Guide. Further, based on the research conducted, conclusions will be drawn about how to better write and administer government contracts. Finally, “next steps” will be provided for those continuing the process of rewriting the guide. When the entire process is complete, the Navy Contract Writing Guide should become an indispensable item on every contracting professional’s desk.

D. METHODOLOGY

The following steps comprised the methodology used to complete this project:

1. Extensive literature research consisting of books, Internet sources, periodicals, briefing slides, government publications, and other information obtained from the library.
2. Conducted comprehensive interviews in person and via e-mail with several individuals representing a cross-section of the Navy and Department of Defense contracting professional community.
3. Consolidated all of the data acquired, the analysis conducted, and contracting and acquisition principles to form well-reasoned recommendations and conclusions in addition to a completely updated guide.

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III. FINDINGS AND RECOMMENDATIONS

A. THE GUIDE

Numerous GAO reports that have been published since the initial writing of the NCWG, have reported continual payment problems experienced by the personnel staffing DFAS-Columbus. In answer to the primary research question, “What are the current issues that need to be addressed,” the following recurring problems were identified: (1) nonintegrated computer systems often require data to be entered manually; (2) multiple documents must be matched before contractors are paid; (3) payments are allocated among numerous accounting classifications.

In developing the update to the NCWG, research focused on the latter two problems identified by the GAO. The first problem, dealing with nonintegrated computer systems, is not an issue that can be resolved with a contract writing guide. However, this issue does affect the outcome of poorly written contracts due to the lack of automation resulting in an increased human element within the process.

The second issue addressing matching multiple documents was an issue addressed in the first writing of the NCWG. This involves matching the correct CLINS/SLINS with the appropriate accounting data. In response to inquiries, DFAS personnel provided examples of contracts that were not in the correct format and required DFAS personnel to consume an enormous amount of labor in order to match documents within the contract. The FAR and DFARS provide adequate instruction on the proper contract format. This format, if used, can easily correct any discrepancies or differences between DFAS and contracting professionals. Local offices often develop their own standard operating procedures (SOP) in writing contracts. However, there is a risk that these SOPs may contradict regulations or neglect the affect on DFAS and the payment and closeout process.

The allocation of payments among numerous accounting classifications is another issue that was addressed in the first NCWG. Numerous GAO reports and responses from DFAS, still show that contracting offices continue to allocate in this manner. Regulations

specifically state that each CLIN/SLIN will be allocated to only one ACRN. Additionally, the allocation must be stated clearly and concisely. However, payment problems still arise as a result of incorrect allocation of payments.

The implementation of an Electronic Data Access system will address many of the issues related to payment problems. However, with the cancellation of DPPS, it is imperative that contracting professionals proactively work with DFAS to write clear and concise contracts in order to facilitate payment and closeout.

In its original format, the NCWG appeared to be constructed at random. Issues, problems and their corresponding solutions were grouped on the type of problem, not the order in which a contracting officer or administrator might encounter them. The guide was made more complex by a myriad of other format issues, all of which needed to be addressed in order to make the guide more user friendly. The update process highlighted the existing deficiencies and naturally brought forth a method of organization that would greatly assist contracting professionals in their use of the guide. Two government forms are frequently used when writing contracts – the Standard Form 26 and the Standard Form 30 (SF 26 and SF 30, respectively). It is the nature of government forms to label each block in which action may be required. Using the numbering of the blocks as an outline, the updated version of the NCWG directly mirrors the layout of the forms.

Many of the issues identified in the original guide are still pertinent to the writing of contracts today. Old and new issues alike were then organized based on their relationship to the information blocks on the government forms. In some cases an issue would apply to both documents or more than one block in the same document. In such cases the issues were addressed under each block to make the guide easier to use – allowing the user to avoid having to flip between pages to address the same issue. The intention of the new layout of the guide is that one can easily following along, block-by-block and issue-by-issue, while filling out one of the required forms.

B. COMMUNICATION

Communication is a term that, many times, is overused when discussing organizational behavior. Research into contract writing and administration problems lead to the finding that increased levels of communication between contracting officers and

DFAS personnel would contribute greatly to facilitating the efficient administration of government contracts. Complaints from contract administrators almost always could be traced back to some form of miscommunication. The primary form of communication between contractor writers and administrators is the written words that comprise the contract itself. Sometimes the clarity of the language used to detail the instructions contained in the contract is vague. This can easily lead to misunderstandings and difficulties for administrators. Further, the intent of the contracting officer needs to be adequately conveyed to all parties involved in the execution of the contract. This includes, but is not limited to government personnel, the contractor, and subcontractors. Occasionally, with large or complex contracts, it may be beneficial for the contracting officer to contact those who will be overseeing the administration of the contract. This one-on-one communication will help to establish a professional relationship, allowing the contracting professionals to communicate any difficulties they may have *before* major problem occurs.

C. REGULATIONS

In some instances the FAR is intentionally vague. This was done in an effort to facilitate inventive and creative acquisition and contracting practices that offer benefit to both contractors and the government. As stated earlier, the guiding principals of the FAR detail the responsibilities of the contracting officer. Included in these responsibilities is the duty to follow the regulations outlined in the FAR. With this in mind, all contracting personnel should remember that following FAR guidelines serves two parallel and equally important goals: (1) standardization throughout the acquisition community, and (2) minimization of errors and, in turn, the administrative burden placed on other acquisition professionals. Based on the time and workload demands placed on the contracting community, one can understand why frequent and clear communication may be difficult or impossible. It is because of this that FAR guidelines must be adhered to strictly. The FAR then provides the common language of the community, allowing individuals separated by great distances the luxury of understanding each other's contract actions clearly.

D. STANDARDIZATION

A great amount of flexibility has been given to contracting officers to write the best contract for the government and the contractor for a specific situation. With this said, some contracting offices begin to “speak their own language.” Individuals are able to effectively communicate their intentions in a language that is unique to their situation. While this is good for the individual contracts written at that particular office, it creates problems for those personnel assigned to administer the contract from another location. Some of these local differences can be understood, as they may directly relate to the contract purpose, but other differences are only in place based on habit. Increased communication cannot remedy the problems caused by such habitual “mistakes” and/or deviations on the part of a particular contracting office. Rather, the contracting officers must refresh their knowledge of the regulations detailed in the FAR and DFARS in order to standardize their contracts with those written by others in their service. Not only will such efforts reduce problem disbursements, but they will also contribute to a reduced workload for individuals assigned to DFAS.

E. RECOMMENDATIONS

1. Future Research

Laws enacted by Congress govern the acquisition community and are constantly being updated to address new, pressing issues in the government. Such changes in the laws and regulations have a direct impact on the conduct of acquisitions and contracting in the government. While this revision of the Navy Contract Writing Guide (NCWG) is contemporary, there are already proposals within the Fiscal Year 2004 Defense Appropriations bill that will again alter the conduct of business. As stated earlier, the Defense Procurement Payment System (DPPS) was intended to automate the procurement process. The cancellation of this system will undoubtedly have a significant impact on procurement payment handling. The mandate of an Electronic Data Access (EDA) system will bring about another automated program with the intention of reducing or eliminating paperwork now required in the contracting process.

In light of the expected changes and the constantly evolving environment, continued research and revision of the NCWG is necessary. In order to keep contracting

professionals aware of the impact their actions can have on Defense Financial and Accounting Service (DFAS) personnel, it is recommended that the NCWG is reviewed and revised on a consistent basis. Such updates will not only keep the NCWG current, but also ensure that it remains a useful, relevant document to facilitate effective contract writing and management.

2. General Recommendations

The Defense Financial and Accounting Service (DFAS) is comprised of accounting and finance professionals with little or no experience in the intricacies associated with the acquisition of products or services for the government. Additionally, contracting offices are comprised of contracting professionals with little or no financial or accounting experience. Therefore, problems arise in the payment of contracts because there exists a lack of understanding and shared knowledge between both professional groups. When writing contracts, particularly the payment instructions, contracting professionals should assume that DFAS personnel have no knowledge of the contracting process. If this assumption is made, the contract language will be simpler and easier to understand. Moreover, DFAS personnel must assume that contracting professionals have no accounting experience. When making a judgment on payment of contract, DFAS personnel should not guess as to what the contracting office is instructing. In order to prevent further problems, clarification should be made before the disbursement of any government funds.

In order to bridge the gap between contracting professionals and DFAS personnel, seminars and conferences should be held that combine the two groups and allow for the discussion of professional issues, problems, and concerns. These meetings should not only be a chance to voice concerns, but also an educational experience whereby DFAS personnel can gain some insight into the contracting community and vice versa. Furthermore, attendance at introductory level schools for both or completion of correspondence courses should be encouraged by senior managers in an effort to increase the professional knowledge of their team. Both DFAS and contracting professionals share a common goal: to efficiently and effectively procure services and supplies for the men and women serving our country. A greater understanding of the challenges faced by

their government acquisition counterparts, should streamline contract administration, payment, and closeout.

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APPENDIX A

THE NAVY CONTRACT WRITING GUIDEBOOK



December 2003

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FOREWORD

As the independent decision maker for the Government in contractual matters, the contracting officer is responsible for ensuring contractor performance and compliance with the contract. In addition to this very important role, the contracting officer also ensures that contracts are clearly and concisely written to facilitate their administration and payment.

Since the early 1990s, the Department has been struggling with an issue called problem disbursements. Simply stated, problem disbursements are contract payments which do not post to their corresponding obligation records in the official accounting system. This creates an “unbalanced checkbook” for the Navy and raises the suspicions of the Congress, General Accounting Office and the public. At the very least, it gives the appearance that Navy managers are unable to run their operations in an efficient and businesslike manner.

We must reverse this problem and the corresponding misconceptions by structuring our contracts to preclude problem disbursements. Accordingly, with the assistance of our Systems Commands, we have developed this contract writing guide to aid contracting personnel in writing better contracts. Please note that this is a reference guide only, is not directive in nature, and should not be used if it conflicts with law or regulation. It is a consolidation of all the memoranda, regulations and “lessons learned” on the subject of problem disbursements to date.

This guide contains information on writing contracts to help contracting personnel structure contracts and modifications to avoid payment problems which could later generate problem disbursements. Part of the guide is set up in an “issue, problem, solution” format to present real life problems along with possible solutions and “lessons learned”. Although some of the areas may not appear to fit into contract writing, they may directly impact contracts and modifications and thus need to be covered. The remainder of the guide focuses on specific actions that can be taken in the preparation of contracts and modifications that can prevent problem disbursements. Many of these recommendations resulted from problems reported to the Navy by the Defense Finance and Accounting Service.

Finally, I want to emphasize that this guide is a “living document” in that it will be constantly updated to reflect changes in our acquisition policies and regulations that impact problem disbursements. A questionnaire is enclosed for your comments and recommendations for updating the guide. We welcome comments from contracting officers, negotiators, and contract administrators as well as the DCMA and DCAA liaison personnel that support them in the Systems Commands and their field activities. ABM has assumed the responsibility for periodically updating this guide; therefore, questionnaires and other comments should be mailed or faxed to ASN(RD&A)ABM, 1000 Navy Pentagon Washington, DC 20350-1000, (703) 602-4643 (fax)

Robert Cowley
RADM USN
Deputy Assistant Secretary of the Navy
Acquisition & Business Management

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THE CONTRACT WRITING GUIDE QUESTIONNAIRE

Comments on the usefulness of this publication are appreciated. Contracting officers, negotiators and contract administrators are particularly encouraged to provide their comments since we anticipate that they will be the primary users of the guide. Please fill out the following questionnaire and mail or fax it to: **ASN(RD&A)ABM, 1000 Navy Pentagon Washington, DC 20350-1000, (703) 602-4643 (fax)**

1.) Which sections of the guide did you find most helpful?

2.) Which sections of the guide did you find least helpful?

3.) Were there any areas that were omitted that you would like to see covered in future editions? If so, please list them.

4.) Were there any areas omitted that would clarify or reinforce current policies or practices regarding problem disbursements? If so, which ones?

5.) How can this guide be improved?

6.) Other comments.

* Please feel free to include any publication or reference material that could be used to improve or expand upon areas in this publication.

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BACKGROUND

In September 1996, the first edition of the Navy Contract Writing Guide was distributed to help contracting personnel structure contracts and modifications to avoid payment problems. These problems not only lead to problem disbursements, but also delay the contract closeout process.

Problem disbursements are divided into two major categories: (1) negative unliquidated obligations and (2) unmatched disbursements.

A negative unliquidated obligation (NULO) is basically the same as an overdrawn checking account. Contractor invoices are paid by DFAS Columbus and later, when they are posted by the DFAS accounting office to the Standard Accounting and Reporting System (STARS), the payments match an obligation but the cumulative disbursements exceed the obligation.

An unmatched disbursement (UMD) occurs when an invoice is paid by DFAS Columbus and does not match an obligation when it is posted to STARS. For example, if an invoice was paid at DFAS Columbus and the payment clerk made a typographical error on the accounting classification reference number (ACRN), the payment would not post in STARS.

From 1997 to 2003, the General Accounting Office (GAO) and Department of Defense Inspector General (DODIG) reported that problem disbursements continue to degrade the contract payment process and the contract closeout process. In May 2002, GAO reported that the primary reason for payment discrepancies was progress payment liquidation errors. Additionally, contract administration actions were the primary reason for the \$488 million that contractors were overpaid in FY2001 and this trend was likely to continue because of the complex contract management and payment processes. (Ref: GAO-02-635)

In August 2003, GAO reported that during FY2002 DFAS Columbus showed that \$1 of every \$4 in contract payment transactions was for adjustments to previously recorded payments. DFAS Columbus reported that 35% of the \$97 million spent on contract pay services was for research of payment allocation problems. Some of these problems were the result of errors in accounting for obligations and recording errors on contracts due to complex and changing payment instructions. (Ref: GAO-03-727)

DoD and the Department of Navy remain committed to improving the processes for contract payment and closeout. Working groups have been formed to develop standard methods on how to improve the processes for contract payment and contract closeout.

INTRODUCTION

In December, 1992, and later in June 1993, the GAO reported that the Navy's primary accounting system, the Standard Accounting and Reporting System (STARS), contained billions in unmatched disbursements which could possibly conceal violations of law, duplicate payments or fraudulent activity. (Ref: GAO/AIMD-95-7)

At that time, the original version of this Contract Writing Guide was designed, in large part, to instruct and educate contracting personnel on how to write contracts that prevent problem disbursements from occurring. Although this problem may appear to belong solely to the Defense Finance and Accounting Service (DFAS), the Navy's contracting community plays a significant role in stemming the tide of new problem disbursements and resolving existing problems.

There still exists a need for this guide and the information it provides. This version represents a comprehensive update. A reorganization of the guide, incorporating changes in the Federal Acquisition Regulation (FAR), the Defense Federal Acquisition Regulation Supplement (DFARS), and input from various federal and Navy organizations, has resulted in a more comprehensive guide that will be useful to contracting officers and administrators alike.

This guide was originally conceived with two intended purposes: 1) To reduce problem disbursements, and 2) To maintain consistency between Navy agencies. Problem disbursements are caused by a number of things that have been occurring in contract formation, contract administration and the payment process for years. This guide's main objective is to improve our contract writing procedures so that future problem disbursements can be prevented.

Until a standard contract writing system is fully implemented and utilized in the Navy there will be a real need to write our contracts and modifications with some degree of consistency so that we prevent the occurrence of problem disbursements. A consistent contract format will allow DFAS to quickly enter contract data into MOCAS with a higher degree of accuracy.

Currently, DFAS payment technicians encounter many differences in Navy contracts that can be confusing. Although Navy contracts are generally written in a format consistent with DFARS and Navy Acquisition Procedures Supplement (NAPS) requirements, there are fairly substantial differences among the various System Commands (SYSCOM). Since DFAS' payment technicians are untrained in contracting, they are unable to find certain payment related information if it's not in a consistent format.

Maintaining consistency in contract writing:

- 1.) Reduces rework for Navy, Contract Administration Office (CAO), DFAS and contractor personnel
- 2.) Reduces rejected DD Forms 250
- 3.) Reduces late or erroneous shipments
- 4.) Facilitates timely contract close-out.

TERMS TO KNOW

Accounting Classification Reference Number - is a two position alpha or alpha/numeric control code used a method of relating the accounting classification citation to detailed line item information contained in the schedule.

Obligation - Amount authorized for disbursement -- "Puts the money on the contract."

Deobligation - Decreases the amount available for disbursement -- "Takes money off the contract".

Allocation - Assigning the obligated amount to CLINs/SLINs.

Reallocation - Moving money from one CLIN/SLIN to another CLIN/SLIN.

STARS - Standard Accounting and Reporting System (STARS) is the Navy's accounting and reporting system. STARS One-Pay is used for both accounting and bill paying whereas STARS HQ and FL are accounting systems used for SYSCOM headquarters activities and field activities, respectively.

Negative unliquidated obligation (NULO) - A NULO is basically the same as an overdrawn checking account. Contractor invoices are paid by DFAS Columbus and later, when they are posted by the DFAS accounting office to STARS, the payments match an obligation but the cumulative disbursements exceed the obligation.

Unmatched disbursement (UMD) - A UMD occurs when an invoice is paid by DFAS Columbus and does not match an obligation when it is posted to STARS.

Commitment - Funds are committed in STARS prior to obligation which occurs at the time of contract award. This term is used to describe an internal accounting procedure only. It should not be used in a contract.

Closed Account - Funds no longer available for new obligations or available for disbursement. With the exception of SCN funding, funds close five years after their period of availability for obligation purposes.

Disbursement - The amount of funds paid out to a contractor.

MOCAS - Mechanization of Contract Administration Services software. Defense Logistics Agency (DLA) uses it for contract administration and DFAS uses it for payments.

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ACRONYMS

| | |
|-----------------|---|
| ACO | Administrative Contracting Officer |
| ACRN | Accounting Classification Reference Number |
| ARO | After Receipt of Order |
| BOA | Basic Ordering Agreement |
| BVNs | Bureau Voucher Numbers |
| CAGE | Commercial and Government Entity |
| | |
| CDRL | Contract Data Requirements Lists |
| CLIN | Contract Line Item Number |
| CMS | Contract Management System |
| DAR | Defense Acquisition Regulation |
| DD | Defense Department |
| DFARS | Defense Federal Acquisition Regulations Supplement |
| DFAS | Defense Financial Accounting Service |
| DLA | Defense Logistics Agency |
| DLAM | Defense Logistics Agency Manual |
| DoD | Department of Defense |
| DODAAC | Department of Defense Activity Address Code |
| DODAAD | Department of Defense Activity Address Directory |
| DoN | Department of the Navy |
| EDA | Electronic Document Access |
| EFT | Electronic Funds Transfer |
| EDI | Electronic Data Interchange |
| ELIN | Exhibit Line Item Number |
| FADS | Financial Accounting Data Sheet |
| FAR | Federal Acquisition Regulation |
| FMS | Foreign Military Sales |
| GAO | General Accounting Office |
| IDIQ | Indefinite Deliveries/Indefinite Quantities |
| LLACN | Long Line of Accounting Classification Number |
| LT | Letter of Transmittal |
| MBDS | Milestone Based Delivery Schedule |
| MILSTRIP | Military Standard Requisitioning and Issue Procedures |
| MOCAS | Mechanization of Contract Administration Services |
| NAFI | Navy Air Force Interface |
| NAPS | Navy Acquisition Procedures Supplement |
| NULO | Negative Unliquidated Obligation |
| OSD | Office of the Secretary of Defense |
| PAT | Process Action Team |
| PCO | Procuring Contracting Officer |
| PIIN | Procurement Instrument Identification Number |

| | |
|-------------|--|
| POC | Point of Contact |
| QA | Quality Assurance |
| SACN | Supplementary Accounting Classification Number |
| SF | Standard Form |

ACRONYMS

| | |
|--------------|--|
| SLIN | Supplemental Line Item Number |
| SPIIN | Supplementary Procurement Instrument Identification Number |
| STARS | Standard Accounting and Reporting System |
| TCN | Transportation Code Number |
| UCF | Uniform Contract Format |
| UMD | Unmatched Disbursement |

ABOUT THIS GUIDE

This guide was developed and organized for use by contracting professionals. It is organized in the order that a contract is written. Issues that relate to a specific section in the contract will have the issue, problem statement, and recommended courses of action. Many issues pertain to more than one section and therefore will be found in all sections which it pertains.

The guide has been organized in this manner to allow the contracting professional to either follow along with the guide as the contract is written or for ease of finding issues related to a specific section of the contract or modification. Additionally, all acronyms have been condensed into one list for easy reference. This guide is not directive in nature but intended to be a desktop reference to enhance the payment and contract closeout processes.

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STANDARD FORM 26

Award/Contract

| | | | | | | | |
|--|------------------------|--|---|--|-----------------|--|---------|
| AWARD/CONTRACT | | 1. THIS CONTRACT IS A RATED ORDER UNDER DPAS (15 CFR 350) ▶ | | RATING | PAGE | OF | PAGES |
| 2. CONTRACT (Proc. Inst. Ident.) NO. | | 3. EFFECTIVE DATE | | 4. REQUISITION/PURCHASE REQUEST/PROJECT NO. | | | |
| 5. ISSUED BY | | CODE | 6. ADMINISTERED BY (If other than Item 5) | | CODE | | |
| 7. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and ZIP Code) | | | | 8. DELIVERY <input type="checkbox"/> FOB ORIGIN <input type="checkbox"/> OTHER (See below) | | | |
| | | | | 9. DISCOUNT FOR PROMPT PAYMENT | | | |
| | | | | 10. SUBMIT INVOICES (4 copies unless otherwise specified) TO THE ADDRESS SHOWN IN ▶ ITEM | | | |
| CODE | | FACILITY CODE | | | | | |
| 11. SHIP TO/MARK FOR | | CODE | 12. PAYMENT WILL BE MADE BY | | CODE | | |
| 13. AUTHORITY FOR USING OTHER THAN FULL AND OPEN COMPETITION: <input type="checkbox"/> 10 U.S.C. 2304(c)) <input type="checkbox"/> 41 U.S.C. 253(c) () | | | | 14. ACCOUNTING AND APPROPRIATION DATA | | | |
| 15A. ITEM NO. | 15B. SUPPLIES/SERVICES | | 15C. QUANTITY | 15D. UNIT | 15E. UNIT PRICE | 15F. AMOUNT | |
| | | | | | | | |
| 15G. TOTAL AMOUNT OF CONTRACT | | | | | | | ▶ \$ |
| 16. TABLE OF CONTENTS | | | | | | | |
| (X) | SEC. | DESCRIPTION | PAGE(S) | (X) | SEC. | DESCRIPTION | PAGE(S) |
| PART I - THE SCHEDULE | | | | PART II - CONTRACT CLAUSES | | | |
| | A | SOLICITATION/CONTRACT FORM | | | I | CONTRACT CLAUSES | |
| | B | SUPPLIES OR SERVICES AND PRICES/COSTS | | PART III - LIST OF DOCUMENTS, EXHIBITS AND OTHER ATTACH. | | | |
| | C | DESCRIPTION/SPECS./WORK STATEMENT | | | J | LIST OF ATTACHMENTS | |
| | D | PACKAGING AND MARKING | | PART IV - REPRESENTATIONS AND INSTRUCTIONS | | | |
| | E | INSPECTION AND ACCEPTANCE | | | K | REPRESENTATIONS, CERTIFICATIONS AND OTHER STATEMENTS OF OFFERORS | |
| | F | DELIVERIES OR PERFORMANCE | | | L | INSTRS., CONDS., AND NOTICES TO OFFERORS | |
| | G | CONTRACT ADMINISTRATION DATA | | | M | EVALUATION FACTORS FOR AWARD | |
| | H | SPECIAL CONTRACT REQUIREMENTS | | | | | |
| CONTRACTING OFFICER WILL COMPLETE ITEM 17 OR 18 AS APPLICABLE | | | | | | | |
| 17. <input type="checkbox"/> CONTRACTOR'S NEGOTIATED AGREEMENT (Contractor is required to sign this document and return _____ copies to issuing office.) Contractor agrees to furnish and deliver all items or perform all the services set forth or otherwise identified above and on any continuation sheets for the consideration stated herein. The rights and obligations of the parties to this contract shall be subject to and governed by the following documents: (a) this award/contract, (b) the solicitation, if any, and (c) such provisions, representations, certifications, and specifications, as are attached or incorporated by reference herein. (Attachments are listed herein.) | | | | 18. <input type="checkbox"/> AWARD (Contractor is not required to sign this document.) Your offer on Solicitation Number _____ including the additions or changes made by you which additions or changes are set forth in full above, is hereby accepted as to the items listed above and on any condition sheets. This award consummates the contract which consists of the following documents: (a) the Government's solicitation and your offer, and (b) this award/contract. No further contractual document is necessary. | | | |
| 19A. NAME AND TITLE OF SIGNER (Type or print) | | | | 20A. NAME OF CONTRACTING OFFICER | | | |
| 19B. NAME OF CONTRACTOR | | 19C. DATE SIGNED | | 20B. UNITED STATES OF AMERICA | | 20C. DATE SIGNED | |
| BY _____ (Signature of person authorized to sign) | | | | BY _____ (Signature of Contracting Officer) | | | |

NSN 7540-01-152-8069
Previous edition is unusable

STANDARD FORM 26 (REV. 4-85)
Prescribed by GSA - FAR (48 CFR) 53.214(a)

Prescription for Use

The SF 26 shall be used in the award of new contracts although the SF 33 is also authorized for award of new contracts and may be preferable for competitive awards.

CONTRACT COVER PAGE

BLOCK 1: Defense Priority and Allocation Rating

Four-position code. (FAR 11.6)

BLOCK 2: Contract Number (PIIN)

Contract identification number.

BLOCK 3: Effective Date

Enter date in the following manner: (YYMMDD).

ISSUE: Timely Distribution of Contracts/Mods/Orders.

PROBLEM: Timely distribution of contracts, mods and orders and the prompt recording of obligations in the Navy's official accounting system is paramount to prompt payment of invoices by DFAS. Delays in recording obligations cause the available funding balances to be overstated and reported obligations to be understated and, therefore, increase the potential for a violation of the Antideficiency Act. In addition, such delays can cause payment transactions to be rejected unnecessarily during the prevalidation process and consequently result in unmatched disbursements and negative unliquidated obligations.

SOLUTION: To preclude this from happening, NAPS 5204.201 provides guidance as follows:

DoN activities shall post an electronic copy of each newly executed procurement instrument (contracts, purchase orders, delivery orders, contract modifications, etc.) within two working days of execution, to the Navy Air Force Interface (NAFI) to DoD Electronic Document Access (EDA) (www.nafi.navy.mil). The preferable method of posting documents is via automated interface from the contract writing system. This posting constitutes the required distribution with respect to required copies for the Defense Finance and Accounting Service, the Defense Contract Management Agency, and the Defense Contract Audit Agency. All parts of an instrument that would have been provided to a recipient in paper should be made available electronically.

ISSUE: Contracts and modifications whose images are posted on DoD Web Sites are different from the paper copies sent to contractors will cause payment problems.

PROBLEM: DFAS and DCMA rely on the versions of contractual documents that are posted on DoD sites such as Electronic Data Access (EDA) or Navy/Air Force Interchange (NAFI). When these versions differ from those given to contractors, the likelihood of payment posting and other problems is significantly increased. The DoD policy that requires buying activities to maintain controls to assure the integrity of contractual documents posted on the web is at:

http://www.acq.osd.mil/dpap/ebiz/documents/EDA_rules.pdf.

SOLUTION: Assure that EDA/NAFI versions of contractual documents exactly match the versions sent to contractors.

BLOCK 4: Requisition/Purchase Request/Project Number

BLOCK 5: Issued By

DODAAC (Issuing) (DFARS APP G).

BLOCK 6: Administered By

DODAAC (Admin Office).

Production Surveillance Code: identifies the degree of surveillance to be performed by DCMC.

Codes found in DLAM 7000.5

Insert complete address and DODAAC for issuing, administration, and payment offices. Check the most recent CAS Component Manual issued by DLA in order to ensure that the most recent payment office is identified on SF26.

BLOCK 7: Name and Address of Contractor

Commercial and Government Entity (CAGE) Code.

Facility Code - another CAGE code if there is a second place of performance (see DFARS 204.7201).

Insert contractor name, address, TIN, CAGE code & facility code (if applicable). Contracting officers should identify the contractor's proper address for the CAGE code identified and not just the "bid and proposal" address. DFAS Columbus has identified several situations where an incorrect address was input for the

contractor's CAGE which subsequently rejected when it was input into MOCAS. A DD Form 1716 is then issued to correct the error.

BLOCK 8: Delivery

Delivery - Origin - Other.

BLOCK 9: Discount for Prompt Payment

Prompt Payment.

BLOCK 10: Submit Invoices

Invoices - Where the review/check occurs - ACO/PCO.

BLOCK 11: Ship To/Mark For

Ship to/Mark for - Code (DODAAC). See Section F.

ISSUE: There is no standardization for the ship to and mark for codes; this causes a major problem for delivery and acceptance verification (DD Form 250). Missing DODAACs in the schedule are also a problem for MOCAS input; the delivery schedule should, in almost every case, have a valid ship to (DODAAC/CAGE) code.

PROBLEM: The problem of stating the delivery schedule in different places in the contract makes it difficult for contracting and payment personnel to find and correctly input this data into MOCAS. Delivery requirements are even sometimes found in the statement of work. The DD Form 1423 also contains the delivery schedule and is generally listed as an exhibit to the contract.

SOLUTION: FAR 14.201-1 and 15.406-2 directs placement of the delivery information in Section F of the uniform contract format. The DFARS also prescribes the use of the DD Form 1423. Adhering to these directions would greatly simplify "finding" the delivery information. If the delivery is stated in the statement of work it should be cross referenced or repeated in Section F of the contract.

BLOCK 12: Payment Will Be Made By

Payment - DODAAC Code. DFAS Columbus (MOCAS Payment Divisions). All New DCMC Administered Contracts. This includes all new international contracts (administered by DCMCI - International) effective after September 1, 1995, which are to be paid in U.S. currency. However, this does not include orders issued against existing international Basic Ordering Agreements (BOAs).

ISSUE: Citation of other Service's lines of accounting.

PROBLEM: Causes confusion since the other Services (Army, Air Force and Marines) use citations with different formats and lengths.

SOLUTION: When using another Service's funds, cite the accounting citation in the body of the contract or modification, clearly labeled, rather than on the FADS. Do not force other Service's accounting lines into the Navy's format. Also, contracting personnel should ensure that FAD sheets:

- a.) include the phone and fax number of the person who signed the FAD sheet
- b.) include the date the funds will close for payment purposes, i.e., OPN funding closes for adjustment and payment purposes five years after it closes for obligation purposes which is three years, and
- c.) identify critical versus administrative fields.

Close coordination with your comptroller is necessary when using another Service's funds.

Also, be sure to follow guidance contained in the Navy's simplified FAD sheet.

BLOCK 14: Accounting and Appropriation Data

Accounting/Appropriation Data - "See FAD Sheet in Section G" (FAR 14.201-2(g) and 15.406-2(g)). Although it is highly encouraged to put the FAD sheet in Section G, the contracting officer still has the option to add it as an attachment to the contract. The main reason for including it in Section G is to standardize the location of the FAD and lessen the likelihood that the FAD will be removed from the contract document while en route to DFAS for entry into MOCAS.

ISSUE: Multiple ACRNs per contract line item (CLIN) or subline item (SLIN).

PROBLEM: CLINS funded by multiple ACRNs require manual payments by MOCAS since it is unable to automatically pay multi-funded CLINs. Manual payments are time consuming, more costly and present a higher opportunity for payment errors. Also, there is usually no clear indication of how funds are to be apportioned when making manual payments. This can cause payments to be made disproportionately and create funding shortages due to closed accounts.

SOLUTION: There will only be one line of accounting and ACRN cited on each CLIN or SLIN, EXCEPT that multiple lines of accounting and ACRNs may be cited under a CLIN or SLIN when using Research and Development (R&D) funds

(see DFARS 204.71).

Avoid more than one ACRN per CLIN or SLIN unless the contract is R&D or unless there are very good reasons for having multiple ACRNs for each CLIN/SLIN. If more than one ACRN is required and authorized, the contracting officer should ensure that there are detailed and easily understood payment instructions to the DFAS payment technicians in Section G of the contract for those CLINS and SLINS which have multiple ACRNs (see DFARS 204.7107(e)(3)). Contracting personnel should be sensitive to the fact that the majority of DFAS payment personnel are not trained as contract specialists and therefore the payment instructions should be carefully written so they can be easily understood. It is advised to include the PCO's name and telephone number in the payment instructions so DFAS technicians can call if there is a question or confusion.

ACRNs are the two position alpha or alpha/numeric control code used to relate the accounting classification citation to detailed line item information contained in the schedule. The ACRN precedes the accounting data on the document. Every time a character changes in the long line of accounting, no matter how insignificant, a new ACRN must be assigned. ACRN assignments are unique to the document (contract) number. A document number and an ACRN will always identify the same long line of accounting. Obligations in STARS and all other accounting systems require ACRNs as part of the obligation record recorded in the accounting system.

ACRNs are usually found on the fiscal sheets of a contract, although, occasionally they are included in Section C along with the CLINs and SLINs. When looking at a Financial Accounting Data Sheet, an ACRN would appear as highlighted below:

| Act. Code | Reference Document Number | CLIN | SLIN | QTY | UNIT | ACRN | APPROPRIATION | SUBHEAD |
|-----------|---------------------------|------|------|-----|------|---------|---------------|---------|
| A | N0002492AE21810 | 0001 | 1 | ea. | AA | 1721810 | 82P1 | |

DFARS 204.7103-1(a)(4)(ii) - Criteria for multiple accounting classifications.

These are the only situations when multiple ACRNs are permitted.

DFARS 204.7104-1(a) - Criteria for establishing informational subline items.

If multiple ACRNs are used for a line item (IAW the above citation) then an informational subline item for each ACRN assigned to that line item must be established.

ISSUE: CLINS/SUBCLINS/ELINS not structured IAW DFARS 204

PROBLEM: Contract format for CLINS/SUBCLINS/EUNS are delineated in DFARS 204.71. DFAS personnel have difficulty in identifying the appropriate accounting classification when CLINs are unclear or inconsistent with regulations. Improperly formatted CLINs increases the time DFAS can make payments and the contract can be closed out.

SOLUTION: Contracting personnel need to pay close attention when identifying CLINs/SubCLINs/ELINs. DFARS 204.71 identifies the procedures for properly numbering CLINs. Contracting personnel should review DFARS 204 to ensure that CLINs are properly formatted.

ISSUE: Occasionally, options for additional requirements and components don't have a separate CLIN from the basic requirement.

PROBLEM: Options which are not established under separate CLINs and SLINs confuse DFAS payment technicians.

SOLUTION: Options for additional requirements and components should have a separate CLIN/SLIN from the basic requirements, even if the option is for additional quantities of the same item at the same unit price as the basic requirement. The price of contract changes or other enhancements (e.g., incorporation of engineering change proposals) may be reflected as a change to the price of applicable contract line items, provided the net effect of the price change is clearly identifiable as a revision to the financial accounting and appropriation data for that line item. Also, if the contract changes or enhancements are to be separately priced and separately billed, they must have a separate CLIN or SLIN.

BLOCK 15G: Total Amount of Contract

Total dollar amount of the firm CLINs/SLINs/ELINs.

BLOCK 16: Table of Contents

Page X of Y.

BLOCK 19: Name and Title of Signer

In accordance with FAR 4.102(c), if the contract is with a corporation, the contract should be signed in the corporate name, followed by the word "by" and the signature and title of the person authorized to sign in block 19.

BLOCK 20B: United States of America

Must be signed.

BLOCK 20C: Date signed.

Date.

SECTION B: SUPPLIES OR SERVICES AND PRICES/COSTS

Avoid mixing contract types, if at all possible. If more than one type of contract is used, there is a DFARS requirement (DFARS 215.406-2) to include a table identifying each line item and its contract type.

One ACRN per CLIN/SLIN, unless authorized by regulation. If more than one is authorized, include specific payment instructions in Section G. See DFARS 204.7103-1 and 204.7104-1.

SLINs to be established IAW DFARS 204.7104-1.

Don't Use "XXX" - write in "intentionally left blank".

List of Spares & CDRLs are Exhibits not Attachments.

CLINs or SLINs for each deliverable item, different delivery schedule, different source (if contract is with multiple vendors/contractors), different requirement

Insert Units of Measure after QTY; 2 position data code, (See attachment 2).

Qty must be a whole number.

Qty x Unit Cost/Price must = Total Cost/Price.

CLINs should be numbered in accordance with DFARS 204.7103 and 204.7104. Ensure CLIN numbers are not duplicated.

Ensure the sum of the firm CLINs/SLINs/ELINs = total cost/price.

Option items should not be included as part of the total price until they are exercised and the funds are obligated.

Prices should be in whole dollars.

Include ACRN and (for FMS) MILSTRIP # in description.

If NTE or Option Item, clearly state as such.

If CDRLs or Spares priced by ELIN:

Leave Qty blank.

Insert "See Exhibit X" under unit and total price.

Show total price for all CDRLs attributable to that CLIN in parentheses in description.

If CDRLs or Spares priced by LOT, show "1 LO" and unit & total amounts. Also, the billing instructions in Section G should direct the contractor to bill by LOT and not by ELIN.

If CDRLs are not separately priced, the quantity should still be identified as "1 LO" (1 Lot) NSP.

Rule: Dollars reside at deliverable level (CLIN, SLIN, ELIN).

Numeric SLINs do not get entered into MOCAS - established for informational purposes only; they are not to be scheduled separately for delivery or priced separately for payment purposes. Only to be used to identify information that relates directly to the contract line item -- parts of any assembly or kit. (See DFARS 204-7104-1a.)

Separately identified SLINs can have different unit prices (see DFARS 204.7104-1b).

ISSUE: It is difficult for DFAS to ascertain the type of contract. In addition, there is no clear identification of whether a CLIN/SLIN is a cost reimbursement or fixed price type on hybrid contracts (contracts with both cost type and fixed price line items).

PROBLEM: DFAS has reported difficulty in ascertaining the type of contract. This problem can arise because the "Type of Contract" Provision is placed in Section L of the solicitation. When the contract is awarded, Section L is pulled from the solicitation and placed in the contract file (with Sections K and M). Therefore, when the contract is distributed, this information is not included. When the contract type is identified in the contract, this information is provided in various locations. It is often difficult for DFAS to know how to make payments when they don't know which CLINs are subject to progress payments and which are not. This can result in progress payments being incorrectly spread over cost reimbursement line items.

SOLUTION: A simple solution to this problem is to ensure that the contract type is included on the first page of the contract or modification IAW Attachment (1).

When a contract contains both fixed price and cost reimbursement contract line items or subline items, the contracting officer shall provide, in Section B, Supplies or Services and Price/Costs, a summary under the heading "Contract Type Summary for

the Payment Office” sufficient to permit the paying office to readily identify the contract type of each contract line item or subline item as follows:

In Section B, after the Notes, insert one of the following:

A. If the entire contract is cost type, add:

"Contract Type Summary for the Payment Office

THIS ENTIRE CONTRACT IS COST TYPE."

B. If the entire contract is fixed price add:

"Contract Type Summary for the Payment Office

THIS ENTIRE CONTRACT IS FIXED PRICE."

If the contract contains a mixture of cost reimbursement and fixed price line items add (fill in with appropriate information):

"Contract Type Summary

| <u>Item</u> | <u>Type*</u> | |
|-------------|--------------|--------------------------|
| 0001 | CR | |
| 0002 | FP | |
| 0003AA | CR | *CR - Cost Reimbursement |
| 0003AB | FP | FP - Fixed price |

Additionally, contract payment is made easier if the contract specifies the billing document that will be used for each item

ISSUE: DFAS has difficulty in determining which clauses apply to which CLINs in "hybrid" contracts (hybrid contracts include both fixed price and cost type CLINs).

PROBLEM: Hybrid contracts are considered necessary and are allowable per FAR 16.102(b). There is no regulatory guidance or procedures for identifying or structuring hybrid contracts.

SOLUTION: Whenever practicable, contracting personnel should structure contracts to (1) identify hybrid contracts on the face of the document, (2) identify (in Section B) which CLINs are fixed price/cost type, (2) assign ACRNs to every CLIN regardless of type, and (4) segregate the clauses (in each section) by applicability to the total contract, fixed price, or cost type CLINs.

SECTION C: DESCRIPTION/SPECS./WORK STATEMENT

Ensure all CLINs/SLINs/ELINs are addressed.

Examples:

Data - shall be prepared in accordance with CDRL.

Hardware - item shall be designed, developed, manufactured, and produced, in accordance with statement of work, specification, and product baseline.

Services – services shall be provided in accordance with Statement of Work.

ISSUE: Multiple ACRNs per contract line item (CLIN) or subline item (SLIN).

PROBLEM: CLINS funded by multiple ACRNs require manual payments by MOCAS since it is unable to automatically pay multi-funded CLINs. Manual payments are time consuming, more costly and present a higher opportunity for payment errors. Also, there is usually no clear indication of how funds are to be apportioned when making manual payments. This can cause payments to be made disproportionately and create funding shortages due to closed accounts.

SOLUTION: There will only be one line of accounting and ACRN cited on each CLIN or SLIN, EXCEPT that multiple lines of accounting and ACRNs may be cited under a CLIN or SLIN when using Research and Development (R&D) funds (see DFARS 204.71).

Avoid more than one ACRN per CLIN or SLIN unless the contract is R&D or unless there are very good reasons for having multiple ACRNs for each CLIN/SLIN. If more than one ACRN is required and authorized, the contracting officer should ensure that there are detailed and easily understood payment instructions to the DFAS payment technicians in Section G of the contract for those CLINS and SLINS which have multiple ACRNs (see DFARS 204.7107(e)(3)). Contracting personnel should be sensitive to the fact that the majority of DFAS payment personnel are not trained as contract specialists and therefore the payment instructions should be carefully written so they can be easily understood. It is advised to include the PCO's name and telephone number in the payment instructions so DFAS technicians can call if there is a question or confusion.

ACRNs are the two position alpha or alpha/numeric control code used to relate the accounting classification citation to detailed line item information contained in the schedule. The ACRN precedes the accounting data on the document. Every time a character changes in the long line of accounting, no matter how

insignificant, a new ACRN must be assigned. ACRN assignments are unique to the document (contract) number. A document number and an ACRN will always identify the same long line of accounting. Obligations in STARS and all other accounting systems require ACRNs as part of the obligation record recorded in the accounting system.

ACRNS are usually found on the fiscal sheets of a contract, although, occasionally they are included in Section C along with the CLINs and SLINs. When looking at a Financial Accounting Data Sheet, an ACRN would appear as highlighted below:

| Act. Code | Reference Document Number | CLIN | SLIN | QTY | UNIT | ACRN | APPROPRIATION | SUBHEAD |
|-----------|---------------------------|------|------|-----|------|---------|---------------|---------|
| A | N0002492AE21810 | 0001 | 1 | ea. | AA | 1721810 | 82P1 | |

DFARS 204.7103-1(a)(4)(ii) - Criteria for multiple accounting classifications.

These are the only situations when multiple ACRNs are permitted.

DFARS 204.7104-1(a) - Criteria for establishing informational subline items.

If multiple ACRNs are used for a line item (IAW the above citation) then an informational subline item for each ACRN assigned to that line item must be established.

ISSUE: CLINS/SUBCLINS/ELINS not structured IAW DFARS 204

PROBLEM: Contract format for CLINS/SUBCLINS/EUNS are delineated in DFARS 204.71. DFAS personnel have difficulty in identifying the appropriate accounting classification when CLINs are unclear or inconsistent with regulations. Improperly formatted CLINs increases the time DFAS can make payments and the contract can be closed out.

SOLUTION: Contracting personnel need to pay close attention when identifying CLINs/SubCLINs/ELINS. DFARS 204.71 identifies the procedures for properly numbering CLINs. Contracting personnel should review DFARS 204 to ensure that CLINs are properly formatted.

SECTION F: DELIVERY/PERFORMANCE

Ensure each CLIN/SLIN/ELIN addressed.

Specify F.O.B. Destination or Origin for each CLIN/SLIN/ELIN.

Use specific dates (DDMMYY) for deliveries, including services. It would be very helpful if the total quantity for each item is identified on the schedule along with the individual deliveries and dates.

Use specific dates for CDRLs wherever possible, unless tied to a milestone (e.g. critical design review or a specific test).

Provide DODAAC and complete address for shipping and marking instructions (MAPAC and complete address for FM shipments).

SECTION F Example -

Item 0001 - Delivery of the supplies to be furnished hereunder shall be F.O.B. origin in accordance with the following schedule:

| | | | | | |
|------------|---------------|---------------|---------------|---------------|---------------|
| <u>Yr.</u> | <u>31 Jan</u> | <u>28 Feb</u> | <u>31 Mar</u> | <u>30 Apr</u> | <u>31 May</u> |
| 1996 | 1 | 3 | 2 | 5 | 8 |

Ship and Mark for the following address:

SHIP TO: N00109

Naval Weapons Station

Yorktown, VA 23692-5000

MARK FOR: Code _____ (this should be a valid six digit DoDAAC code.)

WEAPONS FY__ PRODUCTION

Items 0002, 0003 and 0004 - The data to be furnished hereunder shall be delivered F.O.B. destination in accordance with Exhibit A (Item 0002), Exhibit B (Item 0003), and Exhibit C (Item 0004), Contract Requirements List, DD Form 1423.

ISSUE: Contract periods of performance are too long.

PROBLEM: Funds often close before contracts are closed making final payment difficult.

SOLUTION: In fixed price contracts with option items or in cases of combined development and follow-on initial production, a clause similar to the following should be inserted in Section G to allow for various items to be "closed" as they are completed.

"Additional Requirements for Progress Billings, Invoices, Liquidation and Payments

- a. This contract requirement is intended to allow the contractor to submit invoices for separate "groups" of line items (CLINs or SLINs), listed below, for progress payment and final billing purposes. A final invoice may be submitted for each "group" rather than completion of the entire contract.
- b. The contractor may, in accordance with the Cost Accounting Standards and other requirements of this contract, segregate costs for separate "groups" of production systems, provisioned item orders and engineering services which have been or will be awarded under this contract. Accordingly, the contractor shall submit the following, by CLIN and total contract, with each request for progress payment or shipment invoice: a reconciliation showing the amount of progress billings and payments, shipment invoice billings and payments, engineering services payments and unliquidated progress payments, for the following "group" of line items:

| <u>CLINs</u> | <u>Description</u> |
|--------------------------|----------------------------------|
| 0001-0003 and 0011-0014 | Initial 10 systems |
| 0015, 0016 and 0020-0022 | Follow-on 6 systems |
| 0023 | Follow-on 5 systems |
| 0010 | Provisioned Items Order |
| 0004-0007, 0017-0019 | Engineering Services and Support |
| 0024 and 0025 | |

- c. Progress payments shall be based on the total amount shown on the reconciliation (or the amount concurred to by the ACO if different than the reconciled amount indicated by the contractor) including all progress payments due and owed under all of the above "groups" of CLINs, excluding engineering services. Progress billings shall not be submitted and progress payments shall not be made for engineering services. Invoice payments shall be liquidated against the current unliquidated progress payment account balance as shown on the reconciliation (or the amount concurred to by the ACO if different than the reconciled amount indicated by the Contractor). Each invoice shall be liquidated against the unliquidated progress payment balance that applies solely to the special "group" to which the CLIN belongs. Upon full liquidation of the unliquidated progress payment account applicable to any of the above CLIN "groups", invoices for items within that "group" shall be paid at 100% of the CLIN "group" amount provided that an unconditional DD Form 250 has been executed for the entire CLIN "group".

ISSUE: There is no standardization for the ship to and mark for codes; this causes a major problem for delivery and acceptance verification (DD Form 250). Missing DODAACs in the schedule are also a problem for MOCAS input; the delivery schedule should, in almost every case, have a valid ship to (DODAAC/CAGE) code.

PROBLEM: The problem of stating the delivery schedule in different places in the contract makes it difficult for contracting and payment personnel to find and correctly input this data into MOCAS. Delivery requirements are even sometimes found in the statement of work. The DD Form 1423 also contains the delivery schedule and is generally listed as an exhibit to the contract.

SOLUTION: FAR 14.201-1 and 15.406-2 directs placement of the delivery information in Section F of the uniform contract format. The DFARS also prescribes the use of the DD Form 1423. Adhering to these directions would greatly simplify "finding" the delivery information. If the delivery is stated in the statement of work it should be cross referenced or repeated in Section F of the contract.

ISSUE: Contract delivery dates stating “ARO (after receipt of order)” or “as required” cannot be entered into MOCAS.

PROBLEM: The lack of delivery dates in MOCAS result in problem disbursements. DFARS 204.7103-1(a)(3) requires that the delivery schedule be expressly stated.

SOLUTION: After issuance of a basic contract that uses delivery ARO or “as required”, contracting personnel should convert the ARO and “as required” dates to firm dates as soon as practicable. Use “as required” only when necessary.

SECTION G: CONTRACT ADMINISTRATION DATA

Insert Financial Accounting Data Sheet in Section G. (FAR 14.201-2 (g) and FAR 15.406-2(g)), or as an attachment to the contract. Although it is highly encouraged to put the FAD sheet in Section G, the contracting officer still has the option to add it as an attachment to the contract. The main reason for including it in Section G is to standardize the location of the FAD and lessen the likelihood that the FAD will be removed from the contract document while en route to DFAS for entry into MOCAS.

Other Services' (i.e., Army and Air Force) lines of accounting must be accommodated on the FAD in the same format provided by that Service, i.e., do not try to force another Service's accounting classification into the fields on the Navy's FAD.

If progress payments and/or invoice payments to be made by ACRN or CLIN, ensure this is stated as clearly as possible.

In accordance with a 28 February 1991 memo from the Director of Defense Procurement (DDP), a statement to contractors should be added in Section G for cost type CLINS/SLINs that states "All cost type items must be billed on SF 1034 (Bureau Voucher). This requirement also includes Time and Materials contracts.

Provide DODAAC and complete address for payment office and CAO Paying Office - If contract is assigned for administration by DCMC, and funded with DoD funds, paying office is DFAS, Columbus.

Include most current Transportation Accounting Classification (TAC) clauses.

PROGRESS PAYMENTS

In situations where more than one progress payment rate applies, clearly state progress payment rates for each CLIN/SLIN in table format.

| | | | |
|----------|------|-----|-----|
| Example: | 0001 | FM | 87% |
| | 0002 | USN | 85% |

In cases where contracts contain both cost reimbursement and firm fixed price CLINs, clearly specify which CLINs/SLINs are subject to progress payments in table format.

Example:

| <u>CLIN</u> | <u>Type</u> | <u>Progress Payments Apply</u> |
|-------------|-------------|--------------------------------|
| 0001 | FP | YES |
| 0002 | CR | NO |

Insert a statement such as "All CLINs under this contract are cost reimbursement." or "All CLINs under this contract are firm fixed price" when neither of the above conditions exist.

When submitting progress payment requests, the contractor shall:

Number the FMS progress payments separately from the USN progress payments (when used) using a unique sequence and submitting them on a separate request

When FM progress payments are used, they must be numbered separately from the USN progress payments using a unique sequence and submitted on a separate request. Both U.S. and FMS progress payment requests should be sequentially numbered, i.e. U.S. progress payment requests should start out with voucher #1. Therefore, there could be two progress requests submitted by the contractor with the same voucher number but they will be identified as either U.S. or FMS.

U.S. and FMS progress payment requests shall be numbered sequentially, and shall not restart at No. 1 when the progress payments rate changes.

ISSUE: Multiple ACRNs per contract line item (CLIN) or subline item (SLIN).

PROBLEM: CLINS funded by multiple ACRNs require manual payments by MOCAS since it is unable to automatically pay multi-funded CLINs. Manual payments are time consuming, more costly and present a higher opportunity for payment errors. Also, there is usually no clear indication of how funds are to be apportioned when making manual payments. This can cause payments to be made disproportionately and create funding shortages due to closed accounts.

SOLUTION: There will only be one line of accounting and ACRN cited on each CLIN or SLIN, EXCEPT that multiple lines of accounting and ACRNs may be cited under a CLIN or SLIN when using Research and Development (R&D) funds (see DFARS 204.71).

Avoid more than one ACRN per CLIN or SLIN unless the contract is R&D or unless there are very good reasons for having multiple ACRNs for each CLIN/SLIN. If more than one ACRN is required and authorized, the contracting officer should ensure that there are detailed and easily understood payment instructions to the DFAS payment technicians in Section G of the contract for those CLINS and SLINS which have multiple ACRNs (see DFARS 204.7107(e)(3)). Contracting personnel should be sensitive to the fact that the majority of DFAS payment personnel are not trained as contract specialists and therefore the payment instructions should be carefully written so they can be easily understood. It is advised to include the PCO's name and telephone number in the payment instructions so DFAS technicians can call if there is a question or

confusion.

ACRNs are the two position alpha or alpha/numeric control code used to relate the accounting classification citation to detailed line item information contained in the schedule. The ACRN precedes the accounting data on the document. Every time a character changes in the long line of accounting, no matter how insignificant, a new ACRN must be assigned. ACRN assignments are unique to the document (contract) number. A document number and an ACRN will always identify the same long line of accounting. Obligations in STARS and all other accounting systems require ACRNs as part of the obligation record recorded in the accounting system.

ACRNs are usually found on the fiscal sheets of a contract, although, occasionally they are included in Section C along with the CLINs and SLINs. When looking at a Financial Accounting Data Sheet, an ACRN would appear as highlighted below:

| Act. Code | Reference Document Number | CLIN | SLIN | QTY | UNIT | ACRN | APPROPRIATION | SUBHEAD |
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DFARS 204.7103-1(a)(4)(ii) - Criteria for multiple accounting classifications.

These are the only situations when multiple ACRNs are permitted.

DFARS 204.7104-1(a) - Criteria for establishing informational subline items.

If multiple ACRNs are used for a line item (IAW the above citation) then an informational subline item for each ACRN assigned to that line item must be established.

ISSUE: CLINS/SUBCLINS/ELINS not structured IAW DFARS 204

PROBLEM: Contract format for CLINS/SUBCLINS/EUNS are delineated in DFARS 204.71. DFAS personnel have difficulty in identifying the appropriate accounting classification when CLINs are unclear or inconsistent with regulations. Improperly formatted CLINs increases the time DFAS can make payments and the contract can be closed out. This causes confusion for DFAS when it cannot be determined which ACRNs to allocate for payment.

SOLUTION: Contracting personnel need to pay close attention when identifying CLINs/SubCLINs/ELINS. DFARS 204.71 identifies the procedures for properly numbering CLINs. Contracting personnel should review DFARS 204 to ensure that CLINs are properly formatted.

ISSUE: Contractual documents have financial and accounting data dispersed throughout the contract and subsequent modifications, thus impairing DFAS input.

PROBLEM: DFAS payment personnel are not trained to search through contractual documents to find financial and accounting information. They also do not have the time to do this. When financial and accounting data is dispersed throughout the contract and subsequent modifications, this information tends to be omitted during contract data entry into MOCAS. Later, this omission causes problem disbursements to occur.

SOLUTION: Financial and accounting data should be consolidated in one location in the contract, preferably Section G. It should reflect: 1.) a delineation of contract line item numbers and subline item numbers, the accounting classification reference number (ACRN) and the long line of accounting and appropriation data associated with the ACRN, and 2.) obligated monetary amounts, including additions or subtractions to those amounts when appropriate.

ISSUE: Accounting classification citations are entered on contracts without ACRNs.

PROBLEM: The Defense Federal Acquisition Regulation 204.7107(c)(2) requires the assignment of an ACRN to each separate line of accounting in a contract. DFARS states "In no case shall an ACRN apply to more than one accounting classification citation, nor shall more than one ACRN be assigned to one accounting classification citation." Due to the requirement to assign a separate ACRN for each line of accounting, MOCAS has strict validations requiring an ACRN when contract data is input.

In the past, DFAS, in an attempt to promptly pay invoices, would assign so-called "dummy ACRNS" to new contracts and modifications when those documents contained a discrepancy or error in the long line of accounting data. This work around procedure was designed to allow them to enter the contractual document into the Mechanization of Contract Administration Services (MOCAS) system, thus permitting contractor payments to proceed pending eventual correction of the discrepancy. DFAS found, however, that this workaround procedure was causing unmatched disbursements and negative unliquidated obligations and decided to change the practice. As of 15 April 1996, DFAS will issue a DD Form 1716 Deficiency Report for any newly received contractual document with erroneous ACRNs or accounting data. They will then place the affected contract or modification in a backlog status pending receipt of the correcting modification. This means that the MOCAS system will not reflect any obligations or deobligations made by the contract or modification in question and contract payments cannot be made until the problem is corrected. Moreover, the ability to make payments on a contract already in the MOCAS system could be jeopardized by a new modification that contains an error, depending upon how it impacts

existing obligations.

SOLUTION: Contracting personnel should ensure that all contractual documents are in accordance with the regulations and contain all necessary accounting data IAW DFARS Part 204. When a DD Form 1716 is received by the issuing contracting office, a modification should be processed immediately to correct the error. This means the MOCAS system will not reflect any obligations or deobligations made by the contract or modification in question. Payments cannot be made on a contract that is not in MOCAS.

ISSUE: Contractors sometimes use commercial invoices rather than Bureau Voucher Numbers (BVNs), SF 1034, for cost type CLINs/SLINs.

PROBLEM: When contractors use commercial invoices rather than Bureau Voucher Numbers (BVNs), SF 1034, for cost type CLINs/SLINs, DFAS payment personnel look for fixed priced line items to pay instead of cost type line items.

SOLUTION: This statement should appear in Section G for cost type CLINs/SLINs: "All cost type items must be billed on BVNs, SF 1034 following instructions for submission of invoices."

ISSUE: DFAS no longer pays the oldest money under a contract first and the amount withheld is prorated across all ACRNs.

PROBLEM: Money may close before all the bills are paid.

SOLUTION: The contracting officer must specify from which ACRN the amount withheld is to be taken. This information should be contained in Section G and be worded similar to the following:

"Amount Withheld

The entire amount withheld under this contract for the purpose of final contract adjustment and close out should be allotted to the most current ACRN under the contract."

ISSUE: Contractors are required to submit invoices by ACRN.

PROBLEM: Contractors frequently do not cite ACRNs on invoice they submit. This confuses DFAS when they cannot determine which ACRNs to allocate the payment to.

SOLUTION: Contracting personnel should ensure that a billing clause is contained in Section G of the contract which states that the Government shall reject any invoices submitted for payment which do not cite the proper ACRN(s).

ISSUE: Payment method is unclear for service line items.

PROBLEM: Service line items are usually for one lot and may include performance for an extended period of time such as one year. These service line items may be billed monthly, however the terms of payment are not clear or expressed in the contract.

SOLUTION: The contract should clearly state the payment terms. If the contractor is permitted to bill monthly for the services, SLINs with a DD Form 250 requirement may provide an efficient method for accomplishing payment.

ISSUE: DFAS prorates many payments, unless otherwise specified in the contract.

PROBLEM: Payments prorated over all contract line items may not be desirable in certain contracts.

SOLUTION: For contracts where proration is not desired, payment instructions must be clearly explained by ACRN in Section G of the contract.

DFARS 204.7107(e)(3) Requirement for payment instructions on multi-funded CLINs.

Simply stating the ACRNs and dollar amounts that fund a CLIN is not sufficient when there will be multiple billings associated with the line item (e.g., unit of measure is LOT). In addition to the ACRN funding information, DFAS actually needs information on how each of the ACRNs should be expended; e.g., sequential order, prorated, specific order identified by the contracting officer, etc. Remember, be as specific as possible because the term "oldest funds first" can be interpreted differently.

Although the DFARS reference above only requires payment instructions on multi-funded CLINs DFAS also needs payment instructions for cost-reimbursement items (billed on a SF1034) and progress payments (billed on a SF1443) due to the fact MOCAS will prorate these billings in the absence of payment instructions. Here are two good references for additional payment instruction information.

<http://www.afmc-pub.wpafb.af.mil/HQ-FMC/PK/pkp/pkpc/payments/payguide.doc>

(Air Force Payment Instructions Guide)

<http://home.dcma.mil/onebook/9.0/9.3/dc02-239.htm>

(DCMA Information Memo on Payment Instructions)

The main thing to remember about payment and invoicing clauses is that they need to be consistent. For example, if the payment instructions tell DFAS to pay from the CLIN or ACRN cited on the voucher then there must be invoicing instructions telling the contractor to provide us with the CLIN or ACRN. Also, the invoicing instructions should never require information that won't be used to make the payment. Using the poor example below you'll see that the payment office is supposed to pay in sequential ACRN order. Based on this citation the ACRN is not required on the public voucher. Since the invoicing instructions require the contractor to provide the ACRN there is a good possibility that we're using his information to make the payment, instead of the actual payment instructions.

Example of poorly written payment instructions:

- b. The paying office shall ensure that the voucher is disbursed for each ACRN in sequential order beginning with ACRN AA.
- c. The Contractor shall identify on each public voucher: (1) the contract number, (2) the accounting classification reference number (ACRN) assigned to the accounting classification which pertains to the charges billed, e.g. "ACRN:AA," (3) the Order Number/PRON; and (4) in the address block, the Tax Identification Number , a point of contact and the telephone number.

Performance Based Payment (PBP) rules that must be followed:

Although the basic rules only state that you cannot exceed 90% of the CLIN or contract price the payment office is not permitted to exceed this percentage at the ACRN level (reference the FMR citation below).

B. Care must be taken to ensure that the individual ACRNs are not over paid. The outstanding work in progress (WIP) balance for each ACRN cannot exceed the ULO for that ACRN multiplied by the liquidation rate

FMR Volume 10, Chapter 10 (100204)

PBPs shall only be used on definitized fixed type contracts

PBPs shall not be used in conjunction with progress payments on the same contract

PBP payment terms can be based upon a whole contract or on a deliverable item basis

The cumulative amount of PBPs shall not exceed 90% of contract price (or 90%

of deliverable price if on a line item basis)

ISSUE: Multiple Financing Methods on the Same Contract.

PROBLEM: Extending financing to contractors simultaneously under both progress payments and performance based payments not only violates FAR 32.1003(c); it can also weaken the Government's internal management controls over the payment and liquidation process, drive excessive manual effort, and increase the probability of problem disbursements.

SOLUTION: Utilize only one method of financing at a time on contracts. Performance based payments are the preferred form of financing. It is also possible to convert the financing on existing contracts from progress payments to performance based payments. More information on the use of performance based payments is posted at:

<http://www.acq.osd.mil/dpap/Docs/PBPGuideNov2001.pdf>.

ISSUE: Performance Based Payment (PBP) Provisions that Blur the Difference between Financing and Delivery Payments Invite Liquidation Errors and Problem Disbursements.

PROBLEM: Sometimes contracts contain lists of PBP events that include deliverable products as well as true events; the payments associated with these events also often exceed the 90% financing limit at FAR 32.1004(b)(2). Provisions such as this are often the result of the Contracting Officer attempting to provide for liquidations of PBPs. However, MOCAS already has a feature that automatically liquidates financing payments as long as the contract makes clear distinctions between financing and deliverable payments. Provisions such as these blur this distinction and cause MOCAS to malfunction. This can lead to liquidation errors and erroneous posting of payments.

SOLUTION: Craft event schedules that contain actions that are integral and necessary to contract execution, but do not include the actual delivery of product. Also, the total value of these events must not exceed 90% of the contract value if the PBPs are on a whole contract basis or 90% of the deliverable item value if PBPs are on a deliverable item basis. It is sufficient to state the liquidation percentage in the contract in order to provide liquidation instructions.

ISSUE: Contract periods of performance are too long.

PROBLEM: Funds often close before contracts are closed making final payment difficult.

SOLUTION: In fixed price contracts with option items or in cases of combined development and follow-on initial production, a clause similar to the following should be inserted in Section G to allow for various items to be "closed" as they

are completed.

"Additional Requirements for Progress Billings, Invoices, Liquidation and Payments

This contract requirement is intended to allow the contractor to submit invoices for separate "groups" of line items (CLINs or SLINs), listed below, for progress payment and final billing purposes. A final invoice may be submitted for each "group" rather than completion of the entire contract.

The contractor may, in accordance with the Cost Accounting Standards and other requirements of this contract, segregate costs for separate "groups" of production systems, provisioned item orders and engineering services which have been or will be awarded under this contract. Accordingly, the contractor shall submit the following, by CLIN and total contract, with each request for progress payment or shipment invoice: a reconciliation showing the amount of progress billings and payments, shipment invoice billings and payments, engineering services payments and unliquidated progress payments, for the following "group" of line items:

| <u>CLINs</u> | <u>Description</u> |
|--------------------------|----------------------------------|
| 0001-0003 and 0011-0014 | Initial 10 systems |
| 0015, 0016 and 0020-0022 | Follow-on 6 systems |
| 0023 | Follow-on 5 systems |
| 0010 | Provisioned Items Order |
| 0004-0007, 0017-0019 | Engineering Services and Support |
| 0024 and 0025 | |

Progress payments shall be based on the total amount shown on the reconciliation (or the amount concurred to by the ACO if different than the reconciled amount indicated by the contractor) including all progress payments due and owed under all of the above "groups" of CLINs, excluding engineering services. Progress billings shall not be submitted and progress payments shall not be made for engineering services. Invoice payments shall be liquidated against the current unliquidated progress payment account balance as shown on the reconciliation (or the amount concurred to by the ACO if different than the reconciled amount indicated by the Contractor). Each invoice shall be liquidated against the unliquidated progress payment balance that applies solely to the special "group" to which the CLIN belongs. Upon full liquidation of the unliquidated progress payment account applicable to any of the above CLIN "groups", invoices for items within that "group" shall be paid at 100% of the CLIN "group" amount provided that an unconditional DD Form 250 has been executed for the entire CLIN "group".

SECTION I: CONTRACT CLAUSES

ISSUE: Contract clauses aren't consistently located in the same place in each contract. Contract clauses and special requirements are included in many different sections of the contract and not consolidated in one section.

PROBLEM: Contract clauses and special requirements may not be considered by DFAS payment personnel if they are included in many different sections of the contract and not consolidated in one section. The uniform contract format requires that clauses be placed in specific sections of the contract (Sections A - I). The proper section for a particular clause is provided in the FAR matrices (FAR 52.3). Not all buying offices adhere to the matrices.

SOLUTION: Contracting personnel should ensure that contracts contain only those clauses which are applicable and the clauses are placed in the proper location per the FAR matrices. All special contract requirements or clauses must be included in Section H of the contract. Incorporation of special contract requirements as part of the contract specifications, statement of work, or in a contract work breakdown structure, is not permitted.

ISSUE: Contract clauses need to be in a certain order.

PROBLEM: Clauses are not required to be in a specific order of precedence (e.g., flow-down from FAR, DFARS, Agency, to activity-unique) within a contract. Without ordering rules, it is more time-consuming to locate a particular clause within each section of the contract.

SOLUTION: Whenever practicable, clause ordering within a contract should occur as follows:

Within each particular section of the contract or solicitation, the clauses included therein shall be inserted in the following order:

Clauses incorporated by reference (see FAR 52.3)
Clauses incorporated by full text.

Where there are multiple clauses incorporated by reference (and/or by full text) the clauses shall be inserted in the following order:

FAR clauses
DFARS clauses
Agency clauses

Where there are multiple FAR clauses incorporated by reference, the clauses shall be inserted in ascending numerical order.

DFAS reports that Agency/nonstandard clauses, incorporated into the contract by reference, were difficult to obtain in full text. Contracting personnel should ensure that such clauses, in compliance with FAR 52.101(b)(2)(ii), are inserted in full text.

ISSUE: The Electronic Funds Transfer (EFT) clause sometimes is not included in contracts due to mistakes, a lack of training, or poor quality assurance.

PROBLEM: The Electronic Funds Transfer (EFT) clause is necessary for the timely and accurate payment of contractor invoices and vouchers.

SOLUTION: Contracting personnel should ensure that this clause is inserted as prescribed by regulation.

SECTION L: INSTRUCTIONS, CONDITIONS, AND NOTICES TO OFFERORS

ISSUE: Electronic Invoicing Improves Payment Accuracy.

PROBLEM: Contractors that do not invoice electronically increase the chances of delayed or erroneous payments. Paper payment requests must be manually input to MOCAS. Any manual input operation provides opportunities for error that can result in negative ULOs or unmatched disbursements.

SOLUTION: Incorporate DFARS 252.232-7003, Electronic Submission of Payment Requests, into all new contracts.

ISSUE: Central Contractor Registration (CCR) Registration Promotes Electronic Commerce.

PROBLEM: Contractors that are not actively registered in CCR cannot be paid electronically. This increases the Government's administrative expenses and increases the chances of lost checks. CCR registration also fulfills the requirement for the contractor to furnish a Taxpayer Identification Number (TIN).

SOLUTION: Federal Acquisition Circular (FAC) 2001-16 amends the FAR to require contractor registration in the CCR prior to any award. Assure that contractors are registered in CCR before contract award. PCOs may use the DUNS number or, if applicable, the DUNS+4 number, to verify registration via the Internet at <http://www.ccr.gov>; by calling toll-free: 1-888-227-2423, commercial: (269) 961-5757, or DSN: 932-5757; or as otherwise provided by agency procedures.

ISSUE: Contract periods of performance are too long.

PROBLEM: Funds often close before contracts are closed making final payment difficult.

SOLUTION: In fixed price contracts with option items or in cases of combined development and follow-on initial production, a clause similar to the following should be inserted in Section G to allow for various items to be "closed" as they are completed.

"Additional Requirements for Progress Billings, Invoices, Liquidation and Payments

This contract requirement is intended to allow the contractor to submit invoices for separate "groups" of line items (CLINs or SLINs), listed below, for progress payment and final billing purposes. A final invoice may be submitted for each "group" rather than completion of the entire

contract.

The contractor may, in accordance with the Cost Accounting Standards and other requirements of this contract, segregate costs for separate "groups" of production systems, provisioned item orders and engineering services which have been or will be awarded under this contract. Accordingly, the contractor shall submit the following, by CLIN and total contract, with each request for progress payment or shipment invoice: a reconciliation showing the amount of progress billings and payments, shipment invoice billings and payments, engineering services payments and unliquidated progress payments, for the following "group" of line items:

| <u>CLINs</u> | <u>Description</u> |
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| 0023 | Follow-on 5 systems |
| 0010 | Provisioned Items Order |
| 0004-0007, 0017-0019 | Engineering Services and Support |
| 0024 and 0025 | |

Progress payments shall be based on the total amount shown on the reconciliation (or the amount concurred to by the ACO if different than the reconciled amount indicated by the contractor) including all progress payments due and owed under all of the above "groups" of CLINs, excluding engineering services. Progress billings shall not be submitted and progress payments shall not be made for engineering services. Invoice payments shall be liquidated against the current unliquidated progress payment account balance as shown on the reconciliation (or the amount concurred to by the ACO if different than the reconciled amount indicated by the Contractor). Each invoice shall be liquidated against the unliquidated progress payment balance that applies solely to the special "group" to which the CLIN belongs. Upon full liquidation of the unliquidated progress payment account applicable to any of the above CLIN "groups", invoices for items within that "group" shall be paid at 100% of the CLIN "group" amount provided that an unconditional DD Form 250 has been executed for the entire CLIN "group".

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STANDARD FORM 30

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

| | | | | | |
|---|--|---|---|----|-------|
| AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT | | 1. CONTRACT ID CODE | PAGE | OF | PAGES |
| 2. AMENDMENT/MODIFICATION NO. | | 3. EFFECTIVE DATE | 4. REQUISITION/PURCHASE REQ. NO. | | |
| 6. ISSUED BY | | CODE | 7. ADMINISTERED BY (If other than Item 6) | | |
| | | | CODE | | |
| 8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and ZIP Code) | | (X) 9A. AMENDMENT OF SOLICITATION NO. | | | |
| | | 9B. DATED (SEE ITEM 11) | | | |
| | | 10A. MODIFICATION OF CONTRACT/ORDER NO. | | | |
| | | 10B. DATED (SEE ITEM 11) | | | |
| CODE | | FACILITY CODE | | | |

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers is extended, is not extended. Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods:

(a) By completing items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment your desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (if required)

13. THIS ITEM ONLY APPLIES TO MODIFICATION OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

| | |
|-----------|---|
| CHECK ONE | A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A. |
| | B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b). |
| | C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF: |
| | D. OTHER (Specify type of modification and authority) |

E. IMPORTANT: Contractor is not, is required to sign this document and return _____ copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

| | | | |
|---|--|--|--|
| 15A. NAME AND TITLE OF SIGNER (Type or print) | | 16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) | |
| 15B. CONTRACTOR/OFFEROR | | 16B. UNITED STATES OF AMERICA | |
| (Signature of person authorized to sign) | | (Signature of Contracting Officer) | |
| 15C. DATE SIGNED | | 16C. DATE SIGNED | |

1. Prescription for Use

The SF 30 shall be used in:

- a. Amending solicitations, whether advertised or negotiated;
- b. Modifying purchase and delivery orders, and
- c. Modifying contracts (See FAR 53.243).

The SF 30 shall also be used in connection with novation and change of name agreements (See FAR 53.242-1).

2. Instructions for filling out SF 30

NOTE: The following instructions are in addition to the instructions on the back of the SF 30.

BLOCK 1: Contract ID Code

The contract type identification code can be found under DFARS 253.204-70(c)(4)(v) (the instructions for completing Block C5 of the DD Form 350) or in block C5 of the DD Form 350. Page X of Y - helps to ensure the package is complete when received.

BLOCK 2: Amendment/Modification No.

DFARS 204.7004 provides information on the numbering of solicitation amendments, contract modifications, delivery orders, modifications to delivery orders, etc. The modification number for delivery orders should be two digits only, i.e., PCO mod = 01 and ACO mod =1A. The delivery order number should be inserted in block 10A with the contract number on any SF30 modifying a delivery order.

NOTE: When designating a contract modification number, be sure the proper cards are annotated (i.e. the contract administrator's card file).

BLOCK 3: Effective Date

The instructions for the SF 26, Block 3 apply to this block for contract and purchase/delivery order modifications. Effective Date: YYMMDD.

ISSUE: Timely Distribution of Contracts/Mods/Orders.

PROBLEM: Timely distribution of contracts, modifications and orders and the prompt recording of obligations in the Navy's official accounting system are

paramount to prompt payment of invoices by DFAS. Delays in recording obligations cause the available funding balances to be overstated and reported obligations to be understated and, therefore, increases the potential for a violation of the Antideficiency Act. In addition, such delays can cause payment transactions to be rejected unnecessarily during the prevalidation process and consequently result in unmatched disbursements and negative unliquidated obligations.

SOLUTION: To preclude this from happening, NAPS 5204.201 provides guidance as follows:

DoN activities shall post an electronic copy of each newly executed procurement instrument (contracts, purchase orders, delivery orders, contract modifications, etc.) within two working days of execution, to the Navy Air Force Interface (NAFI) to DoD Electronic Document Access (EDA) (www.nafi.navy.mil). The preferable method of posting documents is via automated interface from the contract writing system. This posting constitutes the required distribution with respect to required copies for the Defense Finance and Accounting Service, the Defense Contract Management Agency, and the Defense Contract Audit Agency. All parts of an instrument that would have been provided to a recipient in paper should be made available electronically.

ISSUE: The images of contracts and modifications posted on DoD websites are different from the paper copies sent to contractors cause payment problems.

PROBLEM: DFAS and DCMA rely on the versions of contractual documents that are posted on DoD sites such as Electronic Data Access (EDA) or Navy/Air Force Interchange (NAFI). When these versions differ from those given to contractors, the likelihood of payment posting and other problems is significantly increased. The DoD policy that requires buying activities to maintain controls to assure the integrity of contractual documents posted on the web is at: http://www.acq.osd.mil/dpap/ebiz/documents/EDA_rules.pdf.

SOLUTION: Assure that EDA/NAFI versions of contractual documents exactly match the versions sent to contractors.

BLOCK 6: Issued By

DODAAC Issuing Office.

The DODAAC code can be obtained from the original contract or order. Also, for contract modifications, identify the name and telephone number of the contracting officer or purchasing office point of contact (see DFARS 204. 170).

BLOCK 7: Administered By

DODAAC admin office.

This block is applicable only for modifications of contracts/orders. The contract administration activity's name, address, and code can be obtained from the original contract or order.

BLOCK 8: Name and Address of Contractor

Complete Address of Contractor, CAGE code, facility CAGE code.

BLOCK 9/10: Amendment/Modification No. and Dates

Solicitation, contract number, effective dates.

BLOCK 11: Solicitation Amendment

This block must be filled out if Block 9 is checked. In the blank, identify the number of signed copies of the amendment you want returned.

BLOCK 12: Accounting and Appropriation Data

This block is applicable only to modifications of contracts/orders. The instructions on the SF 30 can be satisfied by stating the following: "See Financial Accounting Data Sheet"... "Increase" or "Decrease" \$ _____. Block 12: see appropriation data sheet in Section G or see attached appropriation data sheet.

In accordance with DFARS 217.7405 and 243.171, all modifications shall contain one of the following statements and a summary table as follows:

"This modification reflects the total value of the P-mods and increases/decreases the total obligated value as follows:" or if the value of the A-mods is known, "This modification reflects the total value of P-mods and A-mods and increases/decreases the total obligated value as follows:"

SUMMARY TABLE

| <u>Item</u> | <u>From</u> | <u>By</u> | <u>To</u> | |
|-------------|-------------|-----------|-----------|----------|
| 0001 | \$500 | \$100 | \$600 | INCREASE |

0002 \$500 (\$100) \$400 DECREASE

"The value of this contract is increased/decreased by \$_____ resulting in a total obligated value of \$_____.

"This modification results in no obligation/deobligation of funds and/or reallocation of funds between CLINS/SLINS"

If funds are reallocated, a summary table as shown above must be provided. Great care should be taken to ensure that the correct and most current information is reported. Although the summary table only includes those contract line items that are affected, the total obligated value of the contract after the changes are made should be indicated.

ISSUE: The Accounting and Appropriation Data, Block 12, on the cover page of the SF30 is frequently inaccurate.

PROBLEM: Block 12 may incorrectly state "No Change" is being made to the accounting data of the contract since the modification does not increase or decrease the contract amounts or funds although funds. However, funds are being moved between line/subline items.

SOLUTION: On any modification which contains accounting or appropriation data FOR ANY REASON, Block 12 should state:

Modifications which do not contain a separate fiscal sheet shall state: SEE THE LAST PARAGRAPH OF THE MODIFICATION.

Modifications or modifications containing a separate fiscal sheet shall state: SEE ATTACHMENT A.

The last paragraph of all modifications shall be a summary of all accounting changes made through the body of the modification in the following format completed as appropriate. This will be referred to as a "From-By-To" table; it should reflect the total funds of the line items addressed in the modification. The amounts listed in the obligation table "By" column should be the funds changed by the modification.

1. To change the amount obligated state:

"This table summarizes the items affected by this modification and the amounts Obligated to date:

| <u>Item</u> | <u>From</u> | <u>By</u> | <u>To</u> |
|-------------|-------------|-----------|------------|
| 0001 | \$500,000 | \$50,000 | \$550,000 |
| 0002 | \$500,000 | (50,000) | \$450,000" |

2. To change the value of an item state:

"This table summarizes the value of the items affected by this modification:

| <u>Item</u> | <u>From</u> | <u>By</u> | <u>To</u> |
|-------------|-------------|-----------|-----------|
| 0001 | \$700,000 | \$50,000 | \$750,000 |
| 0002 | 700,000 | (50,000) | 650,000" |

BLOCK 13: Modifications of Contracts/Orders

This block must be filled out if Block 10 is checked. In addition to the SF 30 instructions, the following information is provided:

Block 13.A. This is the block to use for a unilateral change order; however, be reminded that:

1. NAPS 5243.201 states that the policies of DFARS 217.74 and NAPS 5217.74 are applicable to the issuance of undefinitized change orders.
2. A unilateral change order that the contracting officer considers definitive (e.g., no-cost) may not be considered so by the contractor. The result could be: an unexpected proposal for equitable adjustment, a potential dispute, and a possible violation of the Anti-Deficiency Act.

Block 13.B. FAR 43.101 defines administrative change as "a unilateral contract change that does not affect the substantive rights of the parties."

Block 13.C. This block is used for:

1. New procurement. Cite the appropriate U.S. Code and "mutual agreement" as the authority.
2. Changes to the contract under the authority of a contract requirement that also include changes that require bilateral agreement, e.g., a change order in which price and delivery schedule changes have been negotiated. Cite the requirement and "mutual agreement" as the authority.

Block 13.D. This block is used for changes to the contract that are incorporated unilaterally under the authority of a contract requirement. Examples are funding provided pursuant to the "Limitation of Funds" clause, or exercising a priced option under an option clause.

BLOCK 14: Description of Amendment/Modification

Notwithstanding the sentence pre-printed on the form concerning what remains unchanged in the contract, this sentence or similar language should be included separately at the end of every contract modification.

ISSUE: Purpose of modification is unclear.

PROBLEM: DFAS is unclear about the intended purpose of a modification.

SOLUTION: Each modification shall contain an opening paragraph which clearly states the purpose of the modification, including any impact on funds or accounting data. If there is no change, of any kind, to either the funds or accounting data, a statement to that effect shall be made in the opening paragraph. For example:

If changes are to be made to the funds or accounting data, include a paragraph similar to the following:

"The purpose of this modification is to add line items 0023 - 0025 to the contract to purchase additional systems. As a result, the total amount of this contract is increased from \$9,225,897 by \$4,969,427 to \$14,195,324.

Accordingly, the contract is modified as follows:" or

"The purpose of this modification is to incorporate Engineering Change Proposal 100R1 dated 1 JAN 95 into the baseline, adding new CLIN 0050 and revising the shipping instructions. This results in an increase in the contract price of \$1,000,000 from \$10,000,000 to \$11,000,000. Accordingly, the contract is modified as follows:"

If the modification contains no changes to funds or accounting data, the opening paragraph should state:

"The purpose of this modification is to incorporate administration corrections.

There is no change to the funding or accounting data under the contract.

Accordingly, the contract is modified as follows:"

ISSUE: Modifications are executed out of numerical sequence.

PROBLEM: Creates difficulties when lower numbered modifications change higher numbered modifications which were previously executed (e.g. P00060 executed on 1 Mar 1995 changes the quantity of modification P00065 executed 1 Jan 1995).

SOLUTION: Contracting personnel should ensure that modifications are executed in numerical sequence IAW DFARS 204.7004. If a modification number is not used, the subsequent modification shall state, in large, bold, capital letters, on the front page of the modification that the number was not issued.

ISSUE: Definitization modifications are unclear.

PROBLEM: Definitization modifications create ambiguities and confusion because the impact to the funding is unclear, disposition of any excess funds is often not addressed and the "Z" in the modification number is used incorrectly creating difficulty in the accounting system.

SOLUTIONS:

In accordance with DFARS 204.7004(c)(3)(iv) a "Z" can only be used to identify a

modification which definitizes a letter contract.

Each definitization modification shall follow the following guidance:

For each definitization modification, the contracting officer shall identify, in Section G (Uniform Contract Format - Contract Administration Data) or the contract schedule (Simplified Contract Format), under the heading "Definitization Summary for the Payment Office", information sufficient to permit the paying office to readily identify the changes for each contract line item and subline item as follows:

The amount of funding obligated by prior contract actions, to include the estimated cost and fee if a cost type contract; the estimated cost and target fee at time of contract award if a cost plus incentive fee contract; the estimated cost, base fee, and award fee earned if a cost plus award fee contract; the target cost and target profit if a fixed price incentive contract; or the fixed price if a firm fixed price contract;

The amount of funding obligated by the instant definitization modification categorized by the type of contract in (1) above; and the total cumulative amount of obligated funding categorized by the type of contract in (a) above.

Accordingly, each definitization modification shall include two tables similar to the following (headings may be changed based on contract type):

a. Changes in CLIN values as a result of definitization:

| <u>Item</u> <u>Oblig.</u> | <u>From</u> * | | | <u>By</u> | | | <u>To</u> | | |
|------------------------------|------------------|---------------|------------------|------------------|--------------|------------------|------------------|--------------|---------|
| | <u>Est. Cost</u> | <u>F. Fee</u> | <u>Tot. CPFF</u> | <u>Est. Cost</u> | <u>F.Fee</u> | <u>Tot. CPFF</u> | <u>Est. Cost</u> | <u>F.Fee</u> | |
| 0001 | 100,000 | 10,000 | 110,000 | 5,000 | 1,000 | 6,000 | 105,000 | 11,000 | 116,000 |

* From - Amounts established in the undefinitized contractual action.

By - Changes as a result of the definitization.

To - New amounts reflecting the definitization.

b. Changes in the amount obligated as a result of the definitization:

| <u>Item</u> | <u>Orig. Obligated Amount</u> | <u>By</u> | <u>New Obligated Amount</u> |
|-------------|-------------------------------|------------|-----------------------------|
| 0001 | \$50,000 | \$25,000 | \$75,000 |
| 0002 | \$100,000 | (\$20,000) | \$80,000 |

Excess funds under CLIN 0002 are to be deobligated ... OR

Excess funds under CLIN 0002 are to remain in the contract for future use by the ACO.

When partial definitization is necessary, create separate CLINs or SLINs, one for the definitized CLIN/SLIN, and another for the undefinitized CLIN/SLIN.

For further guidance, refer to DFARS 217.74 and 243.171.

ISSUE: Terms are used incorrectly.

PROBLEM: The terms obligation, deobligation, and commitment are not used consistently in modifications which creates confusion about the contracting officer's intent about funds cited in a contract.

SOLUTION: The terms are defined as follows:

Obligation - Amount authorized for disbursement. Puts the money on the contract.

Deobligation - Decreases the amount available for disbursement. -- "takes the money off the contract".

Commitment - Funds are committed in STARS prior to obligation which occurs at the time of contract award. This term is used to describe an internal accounting procedure only. It should not be used in a contract.

ISSUE: Modifications for Provisioned Items Orders (PIO) items are often unclear.

PROBLEM: Modifications are often unclear about whether the initial funds are to be committed or obligated. Follow-on modifications placing orders against the initial funds are also unclear about whether the funds are to be obligated. The result is that DFAS frequently obligates the same funds several times creating a funding imbalance.

SOLUTION: Modifications must clearly specify whether funds are to be obligated or committed. For example, the initial funding under a PIO item could read:

"Funds in the amount of \$100,000 are hereby obligated under line item 0010 for use by the ACO in placing future orders."

When an order is placed, a statement similar to the one below should be inserted in the last paragraph of the modification:

"Funds in the amount of \$100,000 were obligated under modification A0000X. Of that amount, \$25,000 is used to place this order under line item 0010AA; the remaining funds are for use by the ACO for future orders as shown in the table below. No additional funds are obligated as a result of this modification, but funding is reallocated to subline 0010AA as follows:

| <u>Item</u> | <u>Orig Amount</u> | <u>Move</u> | <u>Amount Remaining</u> |
|-------------|--------------------|-------------|-------------------------|
| 0010 | \$100,000 | \$25,000 | \$75,000 |
| 0010AA 0 | | 25,000 | |

BLOCK 15/16: Signature and Date Blocks

Must be signed and dated. However, a signature is not required on a solicitation amendment.

Modifications shall be issued in sequence as specified in DFARS 204.7004.

Partial definitization modifications should be avoided. If necessary, however, clearly state which CLINs/SLINs are being definitized. In addition, follow the guidance in DFARS 204.7106(b) as follows:

If the modification relates to existing contract line items or exhibit line items, the modification shall refer to those item numbers.

If the contracting officer decides to assign new identifications to existing contract or exhibit line items, the following rules apply:

Definitized and undefinitized items:

The original line item or subline item number may be used if the modification applies to the total quantity of the original line item or subline.

The original line item or subline item number may be used if the modification makes only minor changes in the specifications or some of the items ordered on the original line item or subline item and the resulting changes in unit price can be averaged to provide a new single unit price for the total quantity. If the changes in the specifications make the item significantly distinguishable from the original item or the resulting changes in unit price cannot be averaged, create a new line item.

If the modification affects only a partial quantity of an existing contract or exhibit line item or subline item and the change does not involve either the delivery date or the ship-to/mark-for data, the original contract or exhibit line item or subline item number shall remain with the unchanged quantity. Assign the changed quantity the next available number.

Undefinitized items:

In addition to the rules stated above, the following additional rules apply to undefinitized items –

If the modification is undefinitized and increases the quantity of an existing definitized item, assign the undefinitized quantity the next available number.

If the modification increases the quantity of an existing undefinitized item, the original contract or exhibit line item or subline item may be used if the unit price for the new quantity is expected to be the same as the price for the original quantity.

If the unit prices of the two quantities will be different, assign the new quantity the next available number.

If the modification both affects only a partial quantity of the existing contract or exhibit line or subline item and definitizes the price for the affected portion, the definitized portion shall retain the original item number.

If there is any undefinitized portion of the item, assign it the next available number. However, if the modification definitizes the price for the whole quantity of the line item, and price impact of the changed work can be apportioned equally over the whole to arrive at a new unit price, the quantity with the changes can be added into the quantity of the existing item.

If the modification affects only a partial quantity of an existing contract or exhibit line or subline item but does not change the delivery schedule or definitize price, the unchanged portion shall retain the original contract or exhibit line or subline item number. Assign the changed portion the next available number.

For BOAs, the funds should be obligated against the individual orders ONLY. In the case of an IDIQ contract (which will contain minimum requirements), the funding for the minimum requirement will be obligated at the time of contract award; all other funds will be obligated in the individual orders. However, PCOs can issue the first order for the minimum requirement at the time of contract award. This will keep the funding off the basic contract.

Ensure clauses referenced in contracts or modifications are in accordance with FAR.

SECTION B: SUPPLIES OR SERVICES AND PRICES/COSTS

Avoid mixing contract types, if at all possible. If more than one type of contract is used, there is a DFARS requirement (DFARS 215.406-2) to include a table identifying each line item and its contract type.

Assign one ACRN per CLIN/SLIN, if at all possible. Where this is not possible, please include specific payment instructions in Section G. See DFARS 204.7103-1 and 204.7104-1.

SLINs to be established IAW DFARS 204.7104-1.

Don't Use "XXX" - write in "intentionally left blank".

List of Spares & CDRLs are Exhibits not Attachments.

CLINs or SLINs for each deliverable item
different delivery schedule
different source (if contract is with multiple vendors/contractors)
different requirement

Insert Units of Measure after QTY; 2 position data code, (See attachment 2).

Qty must be a whole number.

Qty x Unit Cost/Price must = Total Cost/Price.

CLINs should be numbered in accordance with DFARS 204.7103 and 204.7104.
Ensure CLIN numbers are not duplicated.

Ensure the sum of the firm CLINs/SLINs/ELINs = total cost/price.

Option items should not be included as part of the total price until they are exercised and the funds are obligated.

Prices should be in whole dollars.

Include ACRN and (for FMS) MILSTRIP # in description.

If NTE or Option Item, clearly state as such.

If CDRLs or Spares priced by ELIN:

Leave Qty blank

Insert "See Exhibit X" under unit and total price

Show total price for all CDRLs attributable to that CLIN in parentheses in description.

If CDRLs or Spares priced by LOT, show "1 LO" and unit & total amounts. Also, the billing instructions in Section G should direct the contractor to bill by LOT and not by ELIN.

If CDRLs are not separately priced, the quantity should still be identified as "1 LO" (1 Lot) NSP.

Rule: Dollars reside at deliverable level (CLIN, SLIN, ELIN).

Numeric SLINs do not get entered into MOCAS - established for informational purposes only; they are not to be scheduled separately for delivery or priced separately for payment purposes. Only to be used to identify information that relates directly to the contract line item -- parts of any assembly or kit. (See DFARS 204-7104-1a.)

Separately identified SLINs can have different unit prices (see DFARS 204.7104-1b).

SECTION C: DESCRIPTION/SPECS./WORK STATEMENT

Ensure all CLINs/SLINs/ELINs are addressed.

Examples:

- Data - shall be prepared in accordance with CDRL
- Hardware - item shall be designed, developed, manufactured, and produced, in accordance with statement of work, specification, and product baseline
- Services - services shall be provided in accordance with Statement of Work.

SECTION D: PACKAGING AND MARKING

Ensure all CLINs/SLINs/ELINs are addressed; state if packaging and marking instructions do not apply.

Hardware - Items shall be:

1. Packaged and packed so as to ensure safe delivery, or
2. In accordance with best commercial practices, or
3. Packaging and marking requirements do not apply.

SECTION E: INSPECTION AND ACCEPTANCE

Ensure each CLIN/SLIN/ELIN addressed.

Use words "Origin" or "Destination" in beginning of each CLIN description.

Define what constitutes inspection and what constitutes acceptance.

SECTION F: DELIVERY/ PERFORMANCE

Ensure each CLIN/SLIN/ELIN addressed.

Specify F.O.B. Destination or Origin for each CLIN/SLIN/ELIN.

Whenever possible, use specific dates (DDMMYY) for deliveries, including services. It would be very helpful if the total quantity for each item is identified on the schedule along with the individual deliveries and dates.

Use specific dates for CDRLs wherever possible, unless tied to a milestone (e.g. critical design review (CDR) or a specific test).

Provide DODAAC and complete address for shipping and marking instructions (MAPAC and complete address for FM shipments).

SECTION F Example -

Item 0001 - Delivery of the supplies to be furnished hereunder shall be F.O.B. origin in accordance with the following schedule:

| <u>Yr.</u> | <u>31 Jan</u> | <u>28 Feb</u> | <u>31 Mar</u> | <u>30 Apr</u> | <u>31 May</u> |
|------------|---------------|---------------|---------------|---------------|---------------|
| 1996 | 1 | 3 | 2 | 5 | 8 |

Ship and Mark for the following address:

SHIP TO: N00109

Naval Weapons Station

Yorktown, VA 23692-5000

MARK FOR: Code _____ (this should be a valid six digit DoDAAC code.)

WEAPONS FY__ PRODUCTION

Items 0002, 0003 and 0004 - The data to be furnished hereunder shall be delivered F.O.B. destination in accordance with Exhibit A (Item 0002), Exhibit B (Item 0003), and Exhibit C (Item 0004), Contract Requirements List, DD Form 1423.

SECTION G: CONTRACT ADMINISTRATION DATA

Insert Financial Accounting Data Sheet in Section G. (FAR 14.201-2 (g) and FAR 15.406-2(g)), or as an attachment to the contract. Although it is highly encouraged to put the FAD sheet in Section G, the contracting officer still has the option to add it as an attachment to the contract. The main reason for including it in Section G is to standardize the location of the FAD and lessen the likelihood that the FAD will be removed from the contract document while en route to DFAS for entry into MOCAS.

Other Services' (i.e., Army and Air Force) lines of accounting must be accommodated on the FAD in the same format provided by that Service, i.e., do not try to force another Service's accounting classification into the fields on the Navy's FAD.

If progress payments and/or invoice payments to be made by ACRN or CLIN, ensure this is stated as clearly as possible.

In accordance with a 28 February 1991 memo from the Director of Defense Procurement (DDP), a statement to contractors should be added in Section G for cost type CLINS/SLINS that states "All cost type items must be billed on SF 1034 (Bureau Voucher). This requirement also includes Time and Materials contracts.

Provide DODAAC and complete address for payment office and CAO Paying Office - If contract is assigned for administration by DCMC, and funded with DoD funds, paying office is DFAS, Columbus.

Include most current Transportation Accounting Classification (TAC) clauses.

PROGRESS PAYMENTS

In situations where more than one progress payment rate applies, clearly state progress payment rates for each CLIN/SLIN in table format.

| | | | |
|----------|------|-----|-----|
| Example: | 0001 | FM | 87% |
| | 0002 | USN | 85% |

In cases where contracts contain both cost reimbursement and firm fixed price CLINs, clearly specify which CLINs/SLINs are subject to progress payments in table format.

Example:

| <u>CLIN</u> | <u>Type</u> | <u>Progress Payments Apply</u> |
|-------------|-------------|--------------------------------|
| 0001 | FP | YES |
| 0002 | CR | NO |

Insert a statement such as "All CLINs under this contract are cost reimbursement." or "All CLINs under this contract are firm fixed price" when neither of the above conditions exist.

When submitting progress payment requests, the contractor shall:

Number the FMS progress payments separately from the USN progress payments (when used) using a unique sequence and submitting them on a separate request.

When FM progress payments are used, they must be numbered separately from the USN progress payments using a unique sequence and submitted on a separate request. Both U.S. and FMS progress payment requests should be sequentially numbered, i.e., U.S. progress payment requests should start out with voucher #1. Therefore there could be two progress requests submitted by the contractor with the same voucher number but they will be identified as either U.S. or FMS.

US and FMS progress payment requests shall be numbered sequentially, and shall not restart at No. 1 when the progress payment rate changes.

SECTION H, I, & J: SPECIAL CONTRACT REQUIREMENTS, CONTRACT CLAUSES, & LIST OF ATTACHMENTS

If applicable, ensure warranty periods and related CLINs are clearly stated.

If applicable, ensure government property is listed including dates for delivery and use.

Ensure proper payment clauses and clauses related to the contract type are checked.

Check Electronic Funds Transfer clause (required except for small and foreign businesses).

Ensure all Exhibits and Attachments are included in the contract or modification (exhibits are for deliverable items, attachments are for information).

If applicable, attach SB/SDB subcontracting plan.

If applicable, attach DD Form 254.

| NO RESPONSE FOR REASONS CHECKED | | | |
|---|--|---|--|
| CANNOT COMPLY WITH SPECIFICATIONS | | CANNOT MEET DELIVERY REQUIREMENT | |
| UNABLE TO IDENTIFY THE ITEM(S) | | DO NOT REGULARLY MANUFACTURE OR SELL THE TYPE OF ITEMS INVOLVED | |
| OTHER (<i>Specify</i>) | | | |
| WE DO | | WE DO NOT, DESIRE TO BE RETAINED ON THE MAILING LIST FOR FUTURE PROCUREMENT OF THE TYPE OF ITEM(S) INVOLVED | |
| NAME AND ADDRESS OF FIRM (<i>Include ZIP Code</i>) | | SIGNATURE | |
| | | TYPE OR PRINT NAME AND TITLE OF SIGNER | |
| <p>FROM: AFIX STAMP HERE</p> <p style="text-align: center;">TO:</p> <p>SOLICITATION NO. _____</p> <p>DATE AND LOCAL TIME _____</p> | | | |

STANDARD FORM 1447 (5-88) BACK

STANDARD FORM 1447 (REVERSE)

STANDARD FORM 1447 SOLICITATION/CONTRACT INSTRUCTIONS

Prescription for Use

The SF1447 shall be used for firm-fixed-price or fixed-price with economic price adjustment acquisitions of supplies and services, the contracting officer may use the simplified contract format in lieu of the uniform contract format.

CONTRACT COVER PAGE

BLOCK 1: Defense Priority and Allocation Rating

Four-position code. (FAR 11.6)

BLOCK 2: Contract Number (PIIN)

Contract identification number.

BLOCK 3: Effective Date

Enter date in the following manner: (YYMMDD).

ISSUE: Timely Distribution of Contracts/Mods/Orders.

PROBLEM: Timely distribution of contracts, mods and orders and the prompt recording of obligations in the Navy's official accounting system is paramount to prompt payment of invoices by DFAS. Delays in recording obligations cause the available funding balances to be overstated and reported obligations to be understated and, therefore, increase the potential for a violation of the Antideficiency Act. In addition, such delays can cause payment transactions to be rejected unnecessarily during the prevalidation process and consequently result in unmatched disbursements and negative unliquidated obligations.

SOLUTION: To preclude this from happening, NAPS 5204.201 provides guidance as follows:

DoN activities shall post an electronic copy of each newly executed procurement instrument (contracts, purchase orders, delivery orders, contract modifications, etc.) within two working days of execution, to the Navy Air Force Interface (NAFI) to DoD Electronic Document Access (EDA) (www.nafi.navy.mil). The preferable method of posting documents is via automated interface from the contract writing system. This posting constitutes the required distribution with

respect to required copies for the Defense Finance and Accounting Service, the Defense Contract Management Agency, and the Defense Contract Audit Agency. All parts of an instrument that would have been provided to a recipient in paper should be made available electronically.

ISSUE: Contracts and modifications whose images are posted on DoD Web Sites are different from the paper copies sent to contractors will cause payment problems.

PROBLEM: DFAS and DCMA rely on the versions of contractual documents that are posted on DoD sites such as Electronic Data Access (EDA) or Navy/Air Force Interchange (NAFI). When these versions differ from those given to contractors, the likelihood of payment posting and other problems is significantly increased. The DoD policy that requires buying activities to maintain controls to assure the integrity of contractual documents posted on the web is at: http://www.acq.osd.mil/dpap/ebiz/documents/EDA_rules.pdf.

SOLUTION: Assure that EDA/NAFI versions of contractual documents exactly match the versions sent to contractors.

BLOCK 4: Requisition/Purchase Request/Project Number

BLOCK 5: Solicitation Type

BLOCK 6: Solicitation Issue Date

BLOCK 7: Issued By

DODAAC (Issuing) (DFARS APP G).

BLOCK 8: This Acquisition is

BLOCK 9: (Agency Use)

BLOCK 10: Items to be purchased

BLOCK 11: Contractor agreement

BLOCK 12: Administered By

DODAAC (Admin Office).

Production Surveillance Code: identifies the degree of surveillance to be performed by DCMC.

Codes found in DLAM 7000.5

Insert complete address and DODAAC for issuing, administration, and payment offices. Check the most recent CAS Component Manual issued by DLA in order to ensure that the most recent payment office is identified on SF26.

BLOCK 13: Name and Address of Contractor

Commercial and Government Entity (CAGE) Code.

Facility Code - another CAGE code if there is a second place of performance (see DFARS 204.7201).

Insert contractor name, address, TIN, CAGE code & facility code (if applicable). Contracting officers should identify the contractor's proper address for the CAGE code identified and not just the "bid and proposal" address. DFAS Columbus has identified several situations where an incorrect address was input for the contractor's CAGE which subsequently rejected when it was input into MOCAS. A DD Form 1716 is then issued to correct the error.

BLOCK 14: Payment will be made by

Invoices - Where the review/check occurs - ACO/PCO.

Payment - DODAAC Code. DFAS Columbus (MOCAS Payment Divisions). All New DCMC Administered Contracts. This includes all new international contracts (administered by DCMCI - International) effective after September 1, 1995, which are to be paid in U.S. currency. However, this does not include orders issued against existing international Basic Ordering Agreements (BOAs).

ISSUE: Citation of other Service's lines of accounting.

PROBLEM: Causes confusion since the other Services (Army, Air Force and Marines) use citations with different formats and lengths.

SOLUTION: When using another Service's funds, cite the accounting citation in the body of the contract or modification, clearly labeled, rather than on the FADS. Do not force other Service's accounting lines into the Navy's format. Also, contracting personnel should ensure that FAD sheets:

- a.) include the phone and fax number of the person who signed the FAD sheet
- b.) include the date the funds will close for payment purposes, i.e., OPN funding closes for adjustment and payment purposes five years after it closes for obligation purposes which is three years, and
- c.) identify critical versus administrative fields.

Close coordination with your comptroller is necessary when using another Service's funds.

Also, be sure to follow guidance contained in the Navy's simplified FAD sheet.

BLOCK 15: Discount for Prompt Payment

Prompt Payment.

BLOCK 16: Authority for using other than full and open competition

BLOCK 17 – 22: Item description

BLOCK 23: Accounting and Appropriation Data

Accounting/Appropriation Data - "See FAD Sheet in Section G" (FAR 14.201-2(g) and 15.406-2(g)). Although it is highly encouraged to put the FAD sheet in Section G, the contracting officer still has the option to add it as an attachment to the contract. The main reason for including it in Section G is to standardize the location of the FAD and lessen the likelihood that the FAD will be removed from the contract document while en route to DFAS for entry into MOCAS.

ISSUE: Multiple ACRNs per contract line item (CLIN) or subline item (SLIN).

PROBLEM: CLINS funded by multiple ACRNs require manual payments by MOCAS since it is unable to automatically pay multi-funded CLINs. Manual payments are time consuming, more costly and present a higher opportunity for payment errors. Also, there is usually no clear indication of how funds are to be apportioned when making manual payments. This can cause payments to be made disproportionately and create funding shortages due to closed accounts.

SOLUTION: There will only be one line of accounting and ACRN cited on each CLIN or SLIN, EXCEPT that multiple lines of accounting and ACRNs may be cited under a CLIN or SLIN when using Research and Development (R&D) funds (see DFARS 204.71).

Avoid more than one ACRN per CLIN or SLIN unless the contract is R&D or unless there are very good reasons for having multiple ACRNs for each CLIN/SLIN. If more than one ACRN is required and authorized, the contracting officer should ensure that there are detailed and easily understood payment instructions to the DFAS payment technicians in Section G of the contract for those CLINS and SLINS which have multiple ACRNs (see DFARS 204.7107(e)(3)). Contracting personnel should be sensitive to the fact that the majority of DFAS payment personnel are not trained as contract specialists and therefore the payment instructions should be carefully written so they can be

easily understood. It is advised to include the PCO's name and telephone number in the payment instructions so DFAS technicians can call if there is a question or confusion.

ACRNs are the two position alpha or alpha/numeric control code used to relate the accounting classification citation to detailed line item information contained in the schedule. The ACRN precedes the accounting data on the document. Every time a character changes in the long line of accounting, no matter how insignificant, a new ACRN must be assigned. ACRN assignments are unique to the document (contract) number. A document number and an ACRN will always identify the same long line of accounting. Obligations in STARS and all other accounting systems require ACRNs as part of the obligation record recorded in the accounting system.

ACRNS are usually found on the fiscal sheets of a contract, although, occasionally they are included in Section C along with the CLINs and SLINs. When looking at a Financial Accounting Data Sheet, an ACRN would appear as highlighted below:

| Act. Code | Reference Document Number | CLIN | SLIN | QTY | UNIT | ACRN | APPROPRIATION | SUBHEAD |
|-----------|---------------------------|------|------|-----|------|---------|---------------|---------|
| A | N0002492AE21810 | 0001 | 1 | ea. | AA | 1721810 | 82P1 | |

DFARS 204.7103-1(a)(4)(ii) - Criteria for multiple accounting classifications.

These are the only situations when multiple ACRNs are permitted.

DFARS 204.7104-1(a) - Criteria for establishing informational subline items.

If multiple ACRNs are used for a line item (IAW the above citation) then an informational subline item for each ACRN assigned to that line item must be established.

ISSUE: CLINS/SUBCLINS/ELINS not structured IAW DFARS 204

PROBLEM: Contract format for CLINS/SUBCLINS/EUNS are delineated in DFARS 204.71. DFAS personnel have difficulty in identifying the appropriate accounting classification when CLINs are unclear or inconsistent with regulations. Improperly formatted CLINs increases the time DFAS can make payments and the contract can be closed out.

SOLUTION: Contracting personnel need to pay close attention when identifying CLINs/SubCLINs/ELINs. DFARS 204.71 identifies the procedures for properly numbering CLINs. Contracting personnel should review DFARS 204 to ensure that CLINs are properly formatted.

ISSUE: Occasionally, options for additional requirements and components don't have a separate CLIN from the basic requirement.

PROBLEM: Options which are not established under separate CLINs and SLINs confuse DFAS payment technicians.

SOLUTION: Options for additional requirements and components should have a separate CLIN/SLIN from the basic requirements, even if the option is for additional quantities of the same item at the same unit price as the basic requirement. The price of contract changes or other enhancements (e.g., incorporation of engineering change proposals) may be reflected as a change to the price of applicable contract line items, provided the net effect of the price change is clearly identifiable as a revision to the financial accounting and appropriation data for that line item. Also, if the contract changes or enhancements are to be separately priced and separately billed, they must have a separate CLIN or SLIN.

BLOCK 24: Total Amount of Contract

Total dollar amount of the firm CLINs/SLINs/ELINs.

BLOCK 27: Signature of contractor

Name and Title of Signer

In accordance with FAR 4.102(c), if the contract is with a corporation, the contract should be signed in the corporate name, followed by the word "by" and the signature and title of the person authorized to sign in block 19.

BLOCK 28: United States of America

Must be signed.

| CONTRACT DATA REQUIREMENTS LIST | | | | | | | | | | Form Approved OMB No. 0704-0188 | |
|---|--|----------------------------|------------|-----------------------|--|--|-------------|---------------------|---------|------------------------------------|-------|
| The public reporting burden for this collection of information is estimated to average 440 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Department of Defense, Washington Headquarters Services, Directorate for Information Operations and Reports (0704-0188), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number. Please DO NOT RETURN your form to the above address. Send completed form to the Government Issuing Contracting Officer for the Contract/PR No. listed in Block E. | | | | | | | | | | | |
| A. CONTRACT LINE ITEM NO. | | | B. EXHIBIT | | | C. CATEGORY: TDP _____ TM _____ OTHER _____ | | | | | |
| D. SYSTEM/ITEM | | | | E. CONTRACT/PR NO. | | | | F. CONTRACTOR | | | |
| 1. DATA ITEM NO. | | 2. TITLE OF DATA ITEM | | | | | 3. SUBTITLE | | | | |
| 4. AUTHORITY (Data Acquisition Document No.) | | | | 5. CONTRACT REFERENCE | | | | 6. REQUIRING OFFICE | | | |
| 7. DD 250 REQ | | 9. DIST STATEMENT REQUIRED | | 10. FREQUENCY | | 12. DATE OF FIRST SUBMISSION | | 14. DISTRIBUTION | | | |
| 8. APP CODE | | | | 11. AS OF DATE | | 13. DATE OF SUBSEQUENT SUBMISSION | | a. ADDRESSEE | | b. COPIES | |
| | | | | | | | | | | Draft | Final |
| 16. REMARKS | | | | | | | | | | 15. TOTAL → | |
| 1. DATA ITEM NO. | | 2. TITLE OF DATA ITEM | | | | | 3. SUBTITLE | | | | |
| 4. AUTHORITY (Data Acquisition Document No.) | | | | 5. CONTRACT REFERENCE | | | | 6. REQUIRING OFFICE | | | |
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| | | | | | | | | | | Draft | Final |
| 16. REMARKS | | | | | | | | | | 15. TOTAL → | |
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| | | | | | | | | | | Draft | Final |
| 16. REMARKS | | | | | | | | | | 15. TOTAL → | |
| 1. DATA ITEM NO. | | 2. TITLE OF DATA ITEM | | | | | 3. SUBTITLE | | | | |
| 4. AUTHORITY (Data Acquisition Document No.) | | | | 5. CONTRACT REFERENCE | | | | 6. REQUIRING OFFICE | | | |
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| | | | | | | | | | | Draft | Final |
| 16. REMARKS | | | | | | | | | | 15. TOTAL → | |
| 1. DATA ITEM NO. | | 2. TITLE OF DATA ITEM | | | | | 3. SUBTITLE | | | | |
| 4. AUTHORITY (Data Acquisition Document No.) | | | | 5. CONTRACT REFERENCE | | | | 6. REQUIRING OFFICE | | | |
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| 8. APP CODE | | | | 11. AS OF DATE | | 13. DATE OF SUBSEQUENT SUBMISSION | | a. ADDRESSEE | | b. COPIES | |
| | | | | | | | | | | Draft | Final |
| 16. REMARKS | | | | | | | | | | 15. TOTAL → | |
| G. PREPARED BY | | | H. DATE | | | I. APPROVED BY | | | J. DATE | | |

| |
|---------------------------|
| 17. PRICE GROUP |
| 18. ESTIMATED TOTAL PRICE |

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|---------------------------|
| 17. PRICE GROUP |
| 18. ESTIMATED TOTAL PRICE |

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|---------------------------|
| 17. PRICE GROUP |
| 18. ESTIMATED TOTAL PRICE |

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|---------------------------|
| 17. PRICE GROUP |
| 18. ESTIMATED TOTAL PRICE |

DD1423 CONTRACT DATA REQUIREMENTS LIST (CDRL)

DD-1423 CONTRACT DATA REQUIREMENTS LIST INSTRUCTIONS

Ensure appropriate CLIN and SOW paragraph referenced.

Use DDMMYY for all due dates to greatest extent possible.

I&A - DD, DS, SD, SS, LT, NO, or XX. "XX" is used to indicate that DFAS should refer back to the contract to find the applicable I&A code.

If separately priced, insert the price in Block 18.

PAYMENT INSTRUCTIONS

If progress payments are authorized, or if CLINs are not established for Cost Plus Fixed Fee contracts, contracting officers should enter instructions as to how payment allocation is to be made, i.e., oldest funds first, prorate, default. If default is entered, payment will be made in ACRN sequence.

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GENERAL ISSUES

ISSUE: Administrative errors and omissions.

PROBLEM: Simple administrative errors and inconsistencies caused by carelessness, inadequate internal review processes, and insufficient training can complicate contract payment and administration and cause problem disbursements. Some examples are:

- a.) missing and illegible contracts and modifications
- b.) pen and ink changes on contracts and modifications.
- c.) missing point of contact in the "issued by" block of the contractual document.
- d.) writing in "N/A", "none" or leaving blank the "accounting and appropriation" block when a financial accounting data sheet has been attached to the contract or mod or accounting and appropriation data has been included in Section G.
- e.) copying two sided documents in a standard way and defining acronyms and Agency unique terms when they are first used.
- f.) duplicate procurement instrument identification numbers and supplemental procurement instrument identification numbers.
- g.) total amount obligated is less than the total of the line items of the contract.

SOLUTION:

- a.) Missing and illegible contracts and modifications.

Missing and illegible documentation can be a very big problem for DFAS. While the problems are easily correctable with a fax machine or overnight mail, the delays impact contractor payment and can cause problem disbursements if DFAS payment clerks guess at missing and illegible data and make erroneous entries into MOCAS. Although some errors are inevitable, contracting officers must work extra hard to minimize their occurrence. Contracting personnel should also ensure that contract documents are forwarded to DFAS immediately after execution.

- b.) Pen and ink changes on contracts and modifications.

DFAS has noted the increasing use of pen and ink changes by contracting personnel to correct errors in contract financial and accounting data, or other contract provisions that impact contract payment. Corrections should never be made by "pen and ink" unless it is a temporary measure that prevents Government breach of the payment terms of the contract. Rather, they should be made by administrative modification to the contract as soon as possible after the deficiency has been identified.

- c.) Missing point of contact (POC) and telephone number in the "issued by" block of the contractual document.

When no POC and telephone number is provided in the "issued by" block of the contractual document, routine inquiries by DFAS personnel can turn into time consuming

projects.

d.) Writing in "N/A", "none" or leaving blank the "accounting and appropriation" block when a financial accounting data sheet has been attached to the contract or mod or accounting and appropriation data has been included in Section G.

Contracting personnel should ensure that the "accounting and appropriation" block is consistent with the financial accounting data sheet or accounting and appropriation data in Section G even if there is no net change in the obligated funds.

e.) Copying two sided documents in a standard way and defining acronyms and Agency unique terms when they are first used.

DFAS payment personnel work in an "assembly line" type environment where dozens of contractual documents are processed each day. By standardizing the way we copy two-sided documents and including definitions for acronyms and Agency unique terms, DFAS' input of contractual documents into MOCAS is easier and more accurate. This can reduce the likelihood for future problem disbursements. Two sided documents should be copied head-to-foot.

f.) DFARS 204.7004 prohibits the issuance of more than one delivery order with the same PIIN or SPIIN. Duplicate PIINs and SPIINs cause payment problems and problem disbursements. This problem exists with modifications also.

g.) Payment problems arise when the total amount obligated is less than the total of the line items of the contract. This situation can occur because of mistakes, unexercised options, or [allowable] incremental funding.

Mistakes can be reduced by either internal review of a contractual document prior to issuance or use of automatic validation of total amounts under a contract writing system prior to release or transmission. Contracting personnel should ensure that an appropriate incremental funding clause such as FAR 52.232-20, Limitation of costs for cost reimbursements contracts or DFARS 252.232.7007, Limitation of obligation for specified fixed price contractual documents is included in Section I.

ISSUE: Reference ACRN on the FADS sheet (col. 10) is confusing.

PROBLEM: DFAS frequently enters the reference ACRN (col. 10) in lieu of the accounting ACRN (col. 15A) from the FADS Sheet.

SOLUTION: The reference ACRN is no longer needed and should be deleted.

ISSUE: Funds are sometimes erroneously obligated on Basic Ordering Agreements (BOAs) and Indefinite Deliveries/Indefinite Quantities (IDIQs) contracts.

PROBLEM: DFAS personnel may not input funding obligated on Basic Ordering Agreements (BOAs) and Indefinite Deliveries/Indefinite Quantities (IDIQs) contracts into MOCAS thereby causing problem disbursements.

SOLUTION: Whenever practicable, funds should only be obligated on delivery orders issued against BOAs and IDIQs. As a result, delivery orders must specify a full line of accounting and dollar value.

ISSUE: Responses to DD Form 1716s are being returned to DFAS with no reference to the DD 1716.

PROBLEM: When the control number on the DD Form 1716 is not referenced on the modification used to correct the action noted, DFAS has no way of determining which contract has been corrected.

SOLUTION: Reference the control number in the upper right hand corner of the modification used to correct the action noted on the DD 1716. If there is no control number on the DD 1716, attach a copy of the DD 1716 to the mod.

ISSUE: DD 1716s are issued by DFAS to the Administrative Contracting Officer to document deficiencies, ambiguities, etc. in contracts.

PROBLEM: All DD 1716s are sent to the ACO for resolution, regardless of the originator of the modification which caused the deficiency.

SOLUTION: All DD1716s which cite deficiencies which the PCO is responsible for correcting are to be sent directly to the PCO for resolution. PCOs should work to resolve the problem as quickly as possible.

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UNITS OF MEASURE AND ISSUE

(from DOD 4000.25-1-M APPENDIX 2.6)

A

| | |
|------------|----|
| AMPOULE | AM |
| ASSEMBLY | AY |
| ASSORTMENT | AT |

B

| | |
|------------|----|
| BAG | BG |
| BALE | BE |
| BALL | BA |
| BAR | BR |
| BARREL | BL |
| BASKET | BS |
| BLOCK | BC |
| BOARD FOOT | BF |
| BOLT | BO |
| BOOK | BK |
| BOTTLE | BT |
| BOX | BX |
| BRICK | BI |
| BRIQUET | BQ |
| BUNDLE | BD |
| BUSHEL | BU |

C

| | |
|------------|----|
| CABINET | CA |
| CAKE | CK |
| CAN | CN |
| CAPSULE | CP |
| CARAT | KR |
| CARBOY | CB |
| CARTON | CT |
| CASE | CS |
| CASK | KS |
| CENTIGRAM | CG |
| CENTIMETER | CM |
| CHAIN | KK |
| CHEST | CH |
| COIL | CL |

| | |
|------------------|----|
| CONE | CE |
| CONTAINER | CO |
| CORD | KD |
| CRATE | CR |
| CUBIC CENTIMETER | CC |

H

| | |
|---------------------|----|
| HAMPER | HA |
| HANK | HK |
| HEAD | HE |
| HOGSHEAD | HH |
| HUNDRED | HD |
| HUNDRED FEET | HF |
| HUNDRED POUNDS | HP |
| HUNDRED SQUARE FEET | HS |
| HUNDRED WEIGHT | HW |
| HUNDRED YARDS | HY |

I

| | |
|-------|----|
| INCH | IN |
| INGOT | IG |

J

| | |
|-----|----|
| JAR | JR |
| JUG | JG |

K

| | |
|-----------|----|
| KEG | KE |
| KILOGRAM | KG |
| KILOMETER | KM |
| KIT | KT |

L

| | |
|----------------------|----|
| LENGTH | LG |
| LINEAR FOOT | LF |
| LINEAR YARD | LY |
| LINK | LK |
| LITER | LI |
| LONG TON | LT |
| LOOSE (NOT PACKAGED) | LS |

LOT

LO

M

METER

MR

MILE

MI

MILLIAMPERE

MA

MILLIGRAM

MG

MILLILITER

ML

MILLIMETER

MM

O

OUNCE

OZ

P

PACK

PK

PACKAGE

PG

PAD

PD

PAIL

PL

PAIR

PR

PALLET

PP

PANEL

PN

PAPER

PA

PECK

PE

PELLET

PX

PENNYWEIGHT

DW

PIECE

PC

PILLOW

PI

PINT

PT

POUND

LB

PYRAMID

PY

Q

QUART

QT

QUART IMPERIAL

QI

QUIRE

QR

R

RATION

RA

REAM

RM

REEL

RL

RIBBON

RN

| | |
|-------|----|
| ROLL | RO |
| ROUND | RD |

S

| | |
|--------------|----|
| SACK | SA |
| SECTION | SC |
| SET | SE |
| SHEET | SH |
| SHORT TON | ST |
| SHOT | SO |
| SKEIN | SK |
| SKID | SD |
| SKID BOX | SB |
| SLEEVE | SV |
| SPOOL | SL |
| SUITCASE | SW |
| SQUARE | SQ |
| SQUARE FOOT | SF |
| SQUARE INCH | SI |
| SQUARE METER | SM |
| SQUARE YARD | SY |
| STACK | SS |
| STICK | SX |
| STRIP | SP |

T

| | |
|---------------------|----|
| TABLET | TT |
| TAPE | TP |
| THOUSAND | MX |
| THOUSAND CUBIC FEET | MC |
| THOUSAND FEET | MF |
| THOUSAND ROUNDS | RX |
| TIN | TI |
| TON (2,000 LB) | TN |
| TROY OUNCE | TO |
| TRUNK | TK |
| TUB | TB |
| TUBE | TU |

U

| | |
|-------------|----|
| UNIT | UN |
| U.S.P. UNIT | US |

V

VIAL
VOLUME

VI
VO

W

WAFER
WEIGHT
WRAP

WF
WT
WR

Y

YARD

YD