



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH, DEVELOPMENT AND ACQUISITION
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

SEP 22 2003

MEMORANDUM FOR DISTRIBUTION

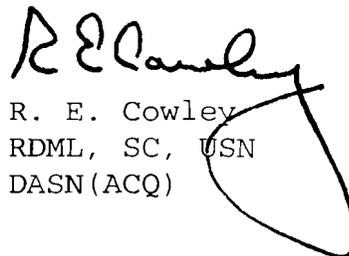
Subj: DOD CONTRACT PAYMENTS - DFARS 204.7107(e)(3)(i)

Encl: (1) OUSD(AT&L)DPAP/P memorandum of September 9, 2003

The Department of Defense is aggressively working to reduce the timeframe that it takes to pay contractors by improving its business operations including its acquisition and disbursement activities. In a recent audit conducted by the General Accounting Office (GAO-03-727), it was noted that the Defense Finance and Accounting Service (DFAS) in Columbus spent \$34M (35% of FY02 budget) to research payment allocation problems. As a result, DFAS is considering billing contracting offices for contract reconciliation services. Actions taken now by your activity will ensure unnecessary charges are not levied against the Department of the Navy.

In accordance with DFARS 204.7107(e)(3)(i), it is important that clear and concise payment instructions be provided to the paying office in Section G of the contract, especially in those instances where a contract line item is funded by multiple accounting classification citations. Internal organizational training should be modified to incorporate a training session on proper elements for payment instructions. Existing contracts and modifications, which cite multiple accounting classifications, should be reviewed to ensure that clear and concise payment instructions are provided in Section G. Enclosure (1) is provided for your information and action as appropriate. Please ensure this guidance is disseminated throughout your organization.

The DASN(ACQ) point of contact is Mr. Ronald G. Ostrom
(703) 693-4012, fax (703) 614-4713, or ostrom.ronald@hq.navy.mil.


R. E. Cowley
RDML, SC, USN
DASN(ACQ)

Distribution:
(see next Page)

Subj: DOD CONTRACT PAYMENTS - DFARS 204.7107(e)(3)(i)

Distribution:

CMC (LB)

MARCORSYSCOM (CT)

MSC (N10)

NAVAIRSYSCOM (2.0)

NAVFACENGCOM (ACQ 02)

NAVSEASYSCOM (02)

NAVSUPSYSCOM (02)

ONR (02)

SPAWARSYSCOM (02)

SSP (SPN)

Copy to:

NAVICP (02)



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

SEP 9 2003

DPAP/P

MEMORANDUM FOR DIRECTORS, DEFENSE AGENCIES

DEPUTY ASSISTANT SECRETARY OF THE ARMY
(POLICY AND PROCUREMENT), ASA(ALT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(ACQUISITION MANAGEMENT), ASN(RD&A)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING), SAF/AQC
EXECUTIVE DIRECTOR, ACQUISITION, TECHNOLOGY,
AND SUPPLY DIRECTORATE (DLA)
DIRECTOR, ADMINISTRATION AND MANAGEMENT

SUBJECT: DoD Contract Payments - DFARS 204.7107(e)(3)(i)

A recent GAO review of two contracts (GAO report dated August 8, 2003, GAO Code 192069) asserted that one of those contracts did not contain specific payment instructions on how to allocate payment amounts to ACRNs as required by DFARS 204.7107(e)(3)(i). The review also asserted that, after initial contract award, payment instructions were not modified to reflect ACRNs subsequently added to the contract.

The requirements at DFARS 204.7107(e)(3)(i) read as follows:

When a contract line item is funded by multiple accounting classification citations, the contracting officer shall provide adequate instructions in section G (Contract Administration Data), under the heading "Payment Instructions for Multiple Accounting Classification Citations," to permit the paying office to charge the accounting classification citations assigned to that contract line item (see 204.7104-1(a)) in a manner that reflects the performance of work on the contract. If additional accounting classification citations are subsequently added, the payment instructions must be modified to include the additional accounting classification citations.

Contracting officers must ensure that all contracts containing multi-funded contract line items include adequate payment instructions to permit the paying office to charge the accounting classification citations assigned to that contract line item. In



addition, contracting officers must ensure that these instructions are revised if additional ACRNs are subsequently added to the contract.

Please ensure this memorandum receives wide distribution to your contracting leaders, contracting officers, and buyers that affect these contracts. Any questions regarding this memorandum should be referred to Mr. David J. Capitano, Defense Procurement & Acquisition Policy/Policy, at 703 847-7486 or david.capitano@osd.mil.



Deidre A. Lee
Director, Defense Procurement and
Acquisition Policy