



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

APR 22 2010

MEMORANDUM FOR DISTRIBUTION

SUBJECT: Examining Use of Advance Payments When Making Small Business Awards

The attached memorandum of April 6, 2010 from the Director, Defense Procurement and Acquisition Policy (DPAP) reminds contracting officers to appropriately consider all available contract financing options permitted within FAR Part 32 when making small business awards. This is particularly important, because the current economic environment may significantly affect a small business firm's ability to access credit to successfully perform government contract work.

One of these financing options, advance payments, while considered the least preferred method of contract financing, may, in certain circumstances, result in the best available payment method for a requirement. Although advance payments may be provided for any type of contract, this contract financing option may be provided only if (1) the statutory requirements and standards for advance payment determinations set forth in FAR Subparts 32.1, 32.2, 32.4, DFARS 232.007, 232.072, 232.1, 232.4, and NMCARS 5232.2 and 5232.4 are met; (2) the advance payments are determined to be in the best interest of the U.S. Government; (3) for commercial item contracts awarded pursuant to FAR Part 12, such payments are customary in the commercial marketplace; and (4) the designated authorized official approves the inclusion of contract terms for advance payments.

We must be aware of the economic conditions affecting the industrial base from which we buy the products and services in support of the warfighter. Additionally, we must exercise prudence in meeting mission needs in a manner that protects the U.S. Government's interests. Advance payments pose an increased risk to the Government and, therefore, must be used sparingly. Contract financing and payment matters should be addressed early in the acquisition process and monitored through contract closeout.

My point of contact for this memorandum is Evelyn Ortiz at (703) 614-9640 or evelyn.ortiz@navy.mil.

Elliott B. Branch

Elliott B. Branch
Executive Director
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Attachment:
As stated

SUBJECT: Examining Use of Advance Payments When Making Small Business Awards

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APR -6 2010

ACQUISITION,
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MEMORANDUM FOR COMMANDER, UNITED STATES SPECIAL OPERATIONS
COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES TRANSPORTATION
COMMAND (ATTN: ACQUISITION EXECUTIVE)
DEPUTY ASSISTANT SECRETARY OF THE ARMY
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(CONTRACTING), SAF/AQC
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Examining Use of Advance Payments When Making Small Business Awards

Because the current economic environment can have a significant impact on small businesses' ability to access credit, contracting officers should review the full realm of contract financing options (FAR 32.106) when making contract award to small firms. Contracting Officers should examine the use of advance payments in appropriate circumstances when making small business awards.

Among the options available, although advance payments are the least preferred method of contract financing, DoD may use this payment method when it is in the best interests of the taxpayer, the contractor, and the Government, and when other types of financing are not reasonably available.

Please refer to FAR 32.2, Commercial Item Purchase Financing, and FAR 32.4, Advance Payments for Non-Commercial Items, and related DFARS and DFARS Procedures, Guidance, and Information (PGI), for specific policies and procedures related to advance payments. My point of contact for this matter is Ms. Teresa Lawson at 703-602-0288 or Teresa.Lawson@osd.mil.

Shay D. Assad
Director, Defense Procurement
and Acquisition Policy