DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH, DEVELOPMENT AND ACQUISITION
1000 NAVY PENTAGON
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APR 27 2012

MEMORANDUM FOR DISTRIBUTION

Subject: Contract Line Item Pricing Integrity

The attached Director of Defense Procurement and Acquisition Policy (DPAP) memo clarifies requirements for the Integrity of Contract Line Item Pricing. Specifically, it provides that all deliverable line items should clearly define not just the pricing of the line item, but the quantity and unit of measure of the product or service to be delivered as well. Data from the first five months of FY2011 found that of the 4.4 million line items reviewed, 1.2 million (27%) had no unit of measure; 485,000 (11%) used either "dollars" or "lump sum" as the unit of measure; and, 19,000 used "each" as the unit of measure for service contracts (with a unit price of $1.00). This lack of clarity in defining units of issue impacts the Navy's ability to achieve a clean audit and undermines the government's objectives for transparency in procurement.

Information on where to find units of measure as well as instructions to facilitate the payment office assignment (if legacy systems are creating the identification problem) can be found in the attached memorandum. Please ensure its widest dissemination.

My point of contact, Denise Randolph, can be reached on (703) 614-9767 or via Denise.Randolph@navy.mil.

Althea H. Coetzee
RDML, SC, USN
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Attachment: As stated

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ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OCT -3 2011

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 (PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY (ACQUISITION AND PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE (CONTRACTING)
DIRECTORS OF THE DEFENSE AGENCIES
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SUBJECT: Contract Line Item Pricing Integrity

Requirement documents and contracts must define clear requirements that reflect supplies and services acquired by the Department of Defense (DoD). This enables accurate contract completion and payments. Among the issues identified through independent verification and validation of contract data is the use of units of measure 'dollars' or 'lump sum' in line item descriptions or the absence of any unit of measure to correspond to the quantity required. Each contract line item must describe the products or services to be delivered in a quantity and unit of measure that relates to actual deliveries or contract performance completion.

A recent review of data for 4.4 million line items for actions issued in the first five months of FY2011 found that 1.2 million line items (27%) had no unit of measure and that 485,000 (11%) used either 'dollars' or 'lump sum' as the unit of measure. 19,000 line items used a unit of measure of 'each' for service contracts with a unit price of one dollar. These line items do not clearly identify what we are buying and creates an integrity issue for the Department that impacts our ability to achieve a clean audit and undermines open government objectives.

All deliverable line items should clearly define the quantity and unit of measure of the product or service to be delivered. A list of available units of measure has been published at: http://www.acq.osd.mil/dpap/pdi/eb/procurement_data_standard.html. No contract action should be issued using 'lump sum' or 'dollars' as a unit of measure. Contract pricing arrangements should ensure prices are proportional to work performed and that actual deliveries can be traced to the prices. The on line Defense Acquisition University (DAU) course CLC033 "Contract Format and Structure for DoD e-Business Environment" will be modified to re-emphasize this issue, as well as incorporating this training into core contracting classes at DAU.

To the extent that the use of the units of measure 'dollars' and 'lump sum' are driven by the limitations of legacy or new systems performing entitlement (such as CAPS, IAPS, or the

Enterprise Resource Planning systems), Components shall designate a Mechanization of Contract Administration Services (MOCAS) office as the payment office in lieu of the payment office that would otherwise be assigned. Designating a MOCAS office for this purpose does not require delegation of contract management to DCMA.

Defense Procurement and Acquisition Policy (DPAP) has published instructions to facilitate the payment office assignment at http://www.acq.osd.mil/dpap/pdi/eb/mocas.html. For a MOCAS payment office assignment, use the Federal Directory of Contract Administration Services Components 2.0 tool (https://pubapp.dcma.mil/CASD/main.jsp). When the buying activity does not delegate administration, use the Directory to find the link to what would be the administration office if administration had been delegated, and click on the payment office link at that site.

If there are any additional issues that should be addressed beyond training to achieve the goals discussed above, please let my office know within 60 days. DPAP will continue to monitor this issue through contract data to ensure progress is achieved. My action officer for this is Bruce Propert, Bruce.Propert@osd.mil or 703-588-0830. The DFAS action officer is Juan Camacho, Juan.Camacho@dfas.mil or 317-212-3463.

Richard Ginman
Director, Defense Procurement
and Acquisition Policy