



THE ASSISTANT SECRETARY OF THE NAVY  
(RESEARCH, DEVELOPMENT, AND ACQUISITION)  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
1000 NAVY PENTAGON  
WASHINGTON, DC 20350-1000

APR 30 2014

JOINT MEMORANDUM FOR DISTRIBUTION

SUBJECT: Department of the Navy Contractual Services Resourcing and Execution Process

Reference: (a) SECNAV Memo "Department of the Navy Contractual Services Resourcing and Execution Process" of March 11, 2014  
(b) Joint ASN (RD&A) and ASN (FM&C) Memo "Department of the Navy Contractual Services Resourcing and Execution Process" of April 4, 2014

The Secretary of the Navy has tasked the Assistant Secretary of the Navy for Research, Development and Acquisition (ASN (RD&A)) to lead and the Assistant Secretary of the Navy for Financial Management and Comptroller (ASN (FM&C)) to co-lead the Department in integrating Contractual Services into the PPBE process (see reference (a)). In addition, ASN (RD&A) and ASN (FM&C) were tasked to lead the Department in identifying information technology system improvements and interfaces required to accurately and consistently report budget requests for and execution of Contractual Services, to include funding and contractor Full Time Equivalents (FTEs). Reference (b) transmitted the Comprehensive Approach to Services Contracting Top-Level POA&M to the SECNAV on 4 April 2014. See attachment 1 for the Top-Level POA&M.

We have begun to outline a repeatable process that ensures the DON is planning, budgeting, and executing Contractual Services to identifiable requirements with an appropriate level of oversight. The overall intent is to focus on and establish good order and discipline in the contractual services business area. The concept of operations is to validate contractual services requirements, carefully resource/budget to those requirements, and execute to the contractual services budget, requirements and plans.

The 2014 focus from the operational and tactical perspective will be on contractual services execution – tracking the funds executed, defining and defending 2014 spend plans, and understanding the details underpinning contractual services included the DON FY15 PB submission. This approach to "Follow the Money" will be accomplished through three efforts:

- 1) Acquisition programs will include Contractual Services plans and execution in their briefings for the ASN (RD&A) PEO Reviews held in FY2014.

- 2) BSOs will address Contractual Services plans and execution at the O&M mid-year review with ASN (FM&C) and ASN (RDA).
- 3) HCAs will include in their contracts courts for the remainder of FY2014 a Contractual Services requirements validation for FY2014 and FY2015 planned.

The Top-Level POA&M calls for establishing a cross-functional/cross-echelon Contractual Services Implementation Working Group (CSIWG). The Principal Civilian Deputy (PCD) ASN (RD&A) and the Principal Deputy (PD) ASN (FM&C) will provide direction to and oversight of the development of the Contractual Services Requirements, Resourcing and Execution Process to the CSIWG. The CSIWG will be comprised of representatives from OASN (RD&A), OASN (FM&C), OPNAV (N9), HQMC (P&R), FFC (representing Fleet), and SYSCOMS (SEA, AIR, SPAWAR, NAVSUP, NAVFAC, ONR, MCSC, I&L). The CSIWG will reach out to other BSOs and HCAs to provide support on an as-needed basis. The CSIWG is tasked to:

- Develop a detailed Plan of Action and Milestones (POA&M) and summarize actions to be implemented in FY2014, FY2015 and FY2016
- Determine the detailed “To Be” for the DON’s Contractual Services Process at Echelons 1, 2 and 3
- Identify IT system improvements and interfaces required to accurately and consistently report budget request for and execution of Contractual Services (i.e., PBIS, NERP, STARS, SABRS, etc.)
- Identify roles and responsibilities as well as staffing requirements for the Contractual Services Process
- Develop draft Directives and/or Instructions for the Contractual Services Process
- Determine training requirements (if needed) for the Contractual Services Process (i.e., new CS Process; Object Class Codes (OCCs), etc.)
- Develop a Strategic Communications Plan for new Contractual Services Requirements, Resourcing and Execution Process
- Complete these tasks no later than 15 September 2014. Extending or continuing the CSIWG will be decided by ASN (RD&A) PCD and ASN (FM&C) PD

Subj: DON CONTRACTUAL SERVICES RESOURCING & EXECUTION PROCESS

In addition, the Top-Level POA&M calls for DON-wide Training on OMB Circular A-11 Object Class Codes (OCCs). Contractual services within the scope of this tasking include OCCs from OMB Circular A-11 in attachment 2. Please ensure those planning, programming, budgeting and executing Contractual Services are familiar with and use the appropriate OCCs throughout the resourcing and execution process.

Request CSIWG members and/or SMEs be identified and their names be provided to CDR Todd Boehm at [todd.boehm1@navy.mil](mailto:todd.boehm1@navy.mil) or 703-614-6430 by noon Wednesday, 7 May 2014. A CSIWG Kick-Off Meeting will be held the week of 12 May.



S. J. Rabern  
ASN (FM&C)



S. J. Stackley  
ASN (RD&A)

Attachments:

1. Top-Level POA&M
2. OCCs for Contractual Services  
Resourcing and Execution Process

DISTRIBUTION:

Chief of Naval Operations  
Commandant of the Marine Corps  
Department of the Navy Assistant for Administration (DON/AA)  
Field Support Activity (FSA)  
Office of Naval Research (ONR)  
Office of Naval Intelligence (ONI)  
Bureau of Medicine and Surgery (BUMED)  
Naval Air Systems Command (NAVAIR)  
Bureau of Naval Personnel (BUPERS)  
Naval Supply Systems Command (NAVSUP)  
Naval Sea Systems Command (NAVSEA)  
Naval Facilities Engineering Command (NAVFAC)  
Strategic Systems Programs (SSP)  
Military Sealift Command (MSC)  
Space and Naval Warfare Systems Command (SPAWAR)  
Naval Systems Management Activity (NSMA)  
Navy Installations Command (CNIC)  
Fleet Forces Command (FLTFORCOM)  
U.S. Pacific Fleet (PACFLT)  
Navy Reserve Force (NAVRESFOR)  
Navy Special Operations Command (NAVSOC)

Subj: DON CONTRACTUAL SERVICES RESOURCING & EXECUTION PROCESS

cc:

DUSN (DCMO)

DASN (AP, M&B)

DASN (FMB, FMO)

OPNAV (N8, N9)

DC/S P&R

DON CIO

# Comprehensive Approach to Services Contracting

## Top-Level POA&M

As of: 31 March 2014

Action	OPR(s)	OCR(s)	Milestone Date	Status
<b>Contractual Services Reductions in FY15 PB and FYDP</b>	ASN RD&A and ASN FM&C	OPNAV, Hq USMC	3-Feb-14	Complete
FY15 POM w/CS Reductions submitted to OSD	ASN FM&C		18-Oct-13	Complete
Analyze CS obligated/budgeted by OCC, by BSO, by appn, by FY	DASN (M&B)		22-Aug-13	Complete
Brief CAPE, AT&L, OPNAV and Hq MC on FY15 POM CS Reduction	DASN (M&B)		5-Dec-13	Complete
<b>SECNAV FY16 POM Guidance regarding CS reductions taken FY16-19</b>	DUSN PPOI	RDA PCD	31-Mar-14	Complete
<b>Near Term Contractual Services Actions</b>	ASN RD&A	ASN FM&C	30-Sep-14	Ongoing
Review FY14 contract actions for Contractual Services ≥\$10M	DASN (AP)	HCA's	30-Sep-14	Ongoing
Release Co-signed (RD&A and FM&C) "Follow the Money" memo (Rqmts thru Execution)	RD&A PCD and FM&C PD	DASN M&B, DASN AP	21-Apr-14	
"Follow the Money" for FY14 & PY at ASN RD&A Spring PEO Reviews (ACAT 1s)	ASN RD&A	PEOs	30-Apr-14	
"Follow the Money" for CS w/BSOs on Navy ERP	BSO EDs	HCA's	30-Jun-14	
Pilot "Follow the Money" for CS w/BSOs not on Navy ERP and USMC	BSO EDs and USMC	HCA's	30-Jun-14	
Refocus "Contracts Courts" to include common requirements validation (PE-EXCOMM)	ASN (RD&A) and N09X	PMD, N09X-1	30-Apr-14	
Identify Post-award Contract Surveillance improvements (separate POA&M)	DASN (AP)	HCA's	30-Jun-14	
DoN-wide Training on OMB Circular A-11 Object Class Codes (OCCs)	ASN FM&C	BSOs and USMC	30-Sep-14	
<b>Implement Contractual Services Requirements, Resourcing &amp; Execution Process</b>	ASN RD&A and ASN FM&C	OPNAV, Hq USMC	1-Oct-15	Ongoing
SECNAV Tasking Memo to ASN RD&A and ASN FM&C	ASN RD&A	ASN FM&C	11-Mar-14	Complete
Develop CS Requirements, Resourcing & Execution Process concept	RD&A PCD	DASN M&B, DASN AP	14-Feb-14	Complete
Socialize new CS Process (w/N9, P&R, NAVSEA, NAVAIR, MCSC, N8, NAVFAC, CNIC, DoN/AA, FFC)	RD&A PCD	DASNs (M&B, AP) FMB	28-Mar-14	Complete
Socialize new CS Process (w/SPAWAR, NAVSUP, DC I&L)	RD&A PCD	DASNs (M&B, AP) FMB	15-Apr-14	
Brief PE EXCOMM on proposed CS Process concept	RD&A		May 14	
Develop Top-Level POA&M per SECNAV Memo dated Mar 11 2014	RD&A PCD and FM&C PD	DASN M&B, DASN AP	31-Mar-14	Complete
Establish cross-functional/cross-echelon CS Implementation Working Group (CSIWG)	ASN RD&A and ASN FM&C	OPNAV, Hq MC	4-Apr-14	Draft
Develop Detailed POA&M	CS Task Force		31-May-14	
Develop detailed "To Be" for CS process at Echelons 1, 2 and 3	CS Task Force		30-Jun-14	
Identify IT Systems Improvements required for CS Process	CS Task Force		30-Sep-14	
Identify roles, responsibilities and staffing rqmts for CS Process	CS Task Force		30-Sep-14	
Develop draft Directives and/or Instructions	CS Task Force		30-Sep-14	
Determine training requirements for CS Process	CS Task Force		30-Sep-14	
Develop Strategic Communications Plan for new CS Process	CS Task Force		30-Sep-14	
Explore annualized funding policy for contractual services	CS Task Force		30-Sep-14	
Provide proper Resources, Training and IT Spt for CS RR&E Process	ASN RD&A and ASN FM&C	OPNAV, Hq MC	30-Jun-15	
<b>SECNAV FY17 POM Guidance regarding CS Requirements &amp; Resourcing</b>	DUSN PPOI	RDA PCD	31-Mar-15	

## OCCs for Contractual Services Resourcing and Execution Process

### 23.3 Communications, utilities, and miscellaneous charges

Payment for information technology, utilities and miscellaneous charges. Include:

- Rental or lease of information technology equipment, include any hardware or software, or equipment or interconnected system or subsystem of equipment that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information, such as mainframe, mid-tier, and workstation computers.  
*Exclude:* contractual services involving the use of equipment in the possession of others, such as computer time-sharing or data center outsourcing, which will be classified in object class 25.7, Operation and maintenance of equipment.
- Information technology services, include data, voice, and wireless communication services, such as long-distance telephone services from other Federal agencies or accounts.  
*Exclude:* charges for maintenance of information technology and related training and technical assistance, when significant and readily identifiable in the contract or billing, which will be classified in object class 25.7, Operation and maintenance of equipment.
- Postal services and rentals, include postage (exclude parcel post and express mail service for freight); contractual mail (include express mail service for letters) or messenger service; and rental of post office boxes, postage meter machines, mailing machines, and teletype equipment.
- Data communication services (voice, data, and wireless) from other Government agencies or accounts.
- Utility services include heat, light, power, water, gas, electricity, and other utility services.
- Miscellaneous charges, for example, periodic charges under purchase rental agreements for equipment. (Payments subsequent to the acquisition of title to the equipment should be classified under object class 31.0, Equipment.)  
*Exclude:* payments under lease-purchase contracts for construction of buildings, which will be classified in object class 32.0, Land and structures, or object class 43.0, Interest and dividends, and for lease-purchase contracts for information technology and telecommunications equipment which will be classified in object class 31.0, Equipment.

### 24.0 Printing and reproduction

Printing and reproduction obtained from the private sector or from other Federal entities. Include:

- Electronic publications.
- Photo composition, photography, blueprinting, photostating, and microfilming. Includes electronic asset management of photography and videos.
- Typesetting and lithography.
- Duplicating.
- Standard forms when specially printed or assembled to order and printed envelopes and letterheads.
- Publication of notices, advertising, radio and television time.
- The related composition and binding operations performed by the Government Printing Office, other agencies, or other units of the same agency on a reimbursable basis, and commercial printers or photographers.

- *Note:* In determining subclasses for administrative use, agencies may appropriately maintain a distinction between traditional printing technologies and photo static reproduction.

### 25.1 Advisory and assistance services

Services acquired by contract from non-Federal sources (that is, the private sector, foreign governments, State and local governments, tribes), as well as, from other units within the Federal Government. This object class consists of three types of services:

- Management and professional support services.
- Studies, analyses, and evaluations.
- Engineering and technical services.

Each is described in further detail below.

Management and professional support services. Include:

- Services that assist, advise, or train staff to achieve efficient and effective management and operation of organizations, activities, or systems (including management and professional support services for information technology and R&D activities).
- Services that are normally closely related to the basic responsibilities and mission of the agency contracting for the services.
- Services that support or contribute to improved organization of program management, logistics, management, project monitoring and reporting, data collection, budgeting, accounting, performance auditing, and administrative/technical support for conferences and training programs.
- *Exclude* auditing of financial statements, which will be classified in object class 25.2, Other services from non-Federal sources.

Studies, analyses, and evaluations provide organized analytic assessments or evaluations in support of policy development, decision-making, management, or administration. Include:

- Studies in support of information technology and R&D activities.
- Models, methodologies, and related software supporting studies, analyses, or evaluations.

Engineering and technical services (excluding routine engineering services and operation and maintenance of information technology and data communications services). Include:

- Services that support the program office during the acquisition cycle by providing such services as information technology architecture development, systems engineering, and technical direction (FAR 9.505-1(b)).
- Services that ensure the effective acquisition, operation, and maintenance of a major acquisition, weapon system or major system, as defined in OMB Circular No. A-109 and in this Circular's supplement, Capital Programming Guide.
- Provide direct support of a major acquisition or weapons system that is essential to planning, R&D, production, or maintenance of the acquisition or system. Include information technology consulting services, such as information technology architecture design and capital programming, and investment control support services.

Include software services such as implementing a web-based, commercial off-the-shelf software product that is an integral part of a consulting services contract.

Exclude:

- Information technology consulting services, which have large scale systems acquisition and integration or large scale software development as their primary focus. Classify these in object class 31.0, Equipment.
- Personnel appointments and advisory committees. Classify these in object class 11.3, Other than full-time permanent.
- Contracts with the private sector for operation and maintenance of information technology and telecommunication services. Classify these in object class 25.7, Operation and maintenance of equipment.
- Architectural and engineering services as defined in the Federal Acquisition Regulations (FAR) 36.102 (40 U.S.C. 541).
- Research on theoretical mathematics and basic medical, biological, physical, social, psychological, or other phenomena which will be classified in object class 25.5, Research and development contracts.

**25.2 Other services from Federal sources**

Report contractual services with non-Federal sources that are not otherwise classified under this object class. Include:

- Auditing of financial statements when done by contract with the private sector.
- Exclude performance auditing by contract with the private sector, which will be classified in object class 25.1, Advisory and assistance services and auditing of financial statements when done by contract with another Federal Government entity, which will be classified in object class 25.3, Other goods and services from Federal sources.
- Typing and stenographic service contracts with the private sector.
- Purchases from State and Local governments, the private sector, and Government sponsored enterprises that are not otherwise classified.
- Tuition for the general education of employees (e.g., for courses for credit leading to college or post graduate degrees).
- Exclude tuition for training closely-related to the basic responsibilities and mission of the agency, which are classified under object class 25.1, Advisory and assistance services.
- Fees and other charges for abstracting land titles, premiums on insurance (other than payments to the Office of Personnel Management), and surety bonds.

Exclude:

- Advisory and assistance services contracts, which are classified under object class 25.1, Advisory and assistance services.
- Contractual services reported in other object classes 21.0, 22.0, 23.1–23.3, 24.0, 25.1, 25.3–25.8, and 26.0.

- Services in connection with the initial installation of equipment, when performed by the vendor, which will be classified in object class 31.0, Equipment.
- Expenditure transfers between Federal accounts, which are classified in object classes 25.3, Other goods and services from Federal sources, and 92.0, Undistributed, as described below.
- Repair, maintenance, and storage of vehicles and storage of household goods, which are reported in object class 25.7, Operation and maintenance of equipment.
- Repairs and alterations to buildings, which are classified in object classes 25.4, Operation and maintenance of facilities, or 32.0, Land and structures, as appropriate.
- Subsistence and support of persons, which is classified as object class 25.8, Subsistence and support of persons.
- Research and development contracts which will be classified in object classes, Advisory and assistance services, 25.4, Operation and maintenance of facilities, and 25.5, Research and development contracts, as appropriate.

### **25.3 Other goods and services from Federal sources**

Purchases from other Federal Government agencies or accounts that are not otherwise classified. Do not use this object class if a more specific object class applies. Include:

- Rental payments to Federal Government accounts other than the GSA Federal Buildings Fund.
- Interagency agreements for contractual services (including the Economy Act) for the purchase of goods and services, except as described below.
- Expenditure transfers between Federal Government accounts for jointly-funded grants or projects.

#### **Exclude:**

- Purchases from State and local governments, the private sector, and Government sponsored enterprises that are not otherwise classified. Classify these in object class 25.2, Other services from non-Federal sources.
- Data communication services (voice, data, and wireless) from other agencies or accounts. Classify these in object class 23.3, Communications, utilities, and miscellaneous charges.
- Agreements with other agencies to make repairs and alterations to buildings. Classify these in object classes 25.4, Operation and maintenance of facilities, or 32.0, Land and structures, as appropriate.
- Storage and maintenance of vehicles and household goods. Classify these in object class 25.7, Operation and maintenance of equipment.
- Subsistence and support of persons. Classify these in object class 25.8, Subsistence and support of persons.
- Development of software, or maintenance of software or hardware. Classify these in object classes 31.0, Equipment, and 25.7, Operation and maintenance of equipment, respectively.
- Advisory and assistance services. Classify these in object class 25.1, Advisory and assistance services.
- Payments made to other agencies for services of civilian employees or military personnel on reimbursable detail. Classify these in object class 11.8, Special personal services payments.
- Contractual services classified under object classes 21.0, 22.0, 23.1–23.3, 24.0, 25.2, 25.4–25.8, and 26.0.

#### **25.4 Operation and maintenance of facilities**

Operation and maintenance of facilities when done by contract with the private sector or another Federal Government account. Include:

- Government-owned contractor-operated facilities (GOCOs).
- Service contracts and routine repair of facilities and upkeep of land.
- Operation of facilities engaged in research and development activities.

#### **Exclude:**

- Alterations, modifications, or improvements to facilities and land, which will be reported in object class 32.0, Land and structures.

#### **25.7 Operation and maintenance of equipment**

Operation, maintenance, repair, and storage of equipment, when done by contract with the private sector or another Federal Government account. Include:

- Storage and care of vehicles and storage of household goods, including those associated with a permanent change of station (PCS).
- Operation and maintenance of information technology systems, including maintenance that is part of a rental contract, when significant and readily identifiable in the contract or billing.
- Contractual services involving the use of equipment in the possession of others, such as computer time-sharing or data center outsourcing.

#### **Exclude:**

- Rental of information technology systems, services and other rentals, which are classified in object class 23.3, Communications, utilities, and miscellaneous charges.
- Contracts where the principal purpose is to develop or modernize software, which are classified in object class 31.0 equipment.