MEMORANDUM FOR DISTRIBUTION

SUBJECT: Alignment of Acquisition, Financial, and Logistics Detail Across the Enterprise

Today, there is a disconnect within the end to end Procure to Pay process, as a result of our acquisition, financial management and supply processes operating at different levels of data detail and reliance on disparate systems. In the Navy ERP environment, the three processes are integrated, requiring the three process communities to agree on the level of detail data to operate the system effectively. Attachment (1) establishes the plan for resolving the “End to End” breakdowns within the acquisition process with an emphasis on the breakdowns caused by the use of paper or attached exhibits with exhibit line items (ELINs).

We must establish a process that aligns the data/reporting needs of the contracting, finance, and logistics communities at an appropriate level of detail. Prior to creating purchase requisitions, representatives from contracts, finance, and logistics, must agree, in writing, on the level of contract line item detail necessary to achieve the visibility, accountability and management of that particular acquisition purchase. Community representatives must determine the degree of granularity to provide the required transparency and accountability in each situation.

A Procurement Planning and Strategy Meeting (PPSM) shall be institutionalized to obtain agreement on the level of detail appropriate for uniform reporting throughout all phases of the acquisition cycle, which include: requirement identification (Purchase Requisition (PR)), contracting, accounting, performance (including shipment and receiving), acceptance, payment, property management, inventory accountability, and reordering. The Program Manager (PM) shall document the results of the PPSM with a written memo on the level of detail to be used and a plan to maintain alignment throughout the acquisition cycle. All line items on the (PR) must be made available as data throughout all steps of the process. The Comptroller shall ensure that financial standards and systems can be effectively satisfied through the intended data structure. Comptroller staff and Business/Financial Managers (BFMs) shall ensure the level of detail provides accountability and visibility consistent with DOD Instruction 5000.64, and shall also work with the Administrative Contracting Officer (ACO) in ensuring the Procuring Contracting Officer (PCO) understands the impact of the planned contract structure on achieving compliance with DOD Financial Management Regulation. The PCO shall require the acceptable level of detail in the PR to ensure the defined contract
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structure is in accordance with the Federal Acquisition Regulation (FAR), complies with the Defense FAR Supplement, and enables uniform reporting throughout all subsequent phases of the acquisition cycle. The PCO shall also ensure there is a process that accommodates and realigns the level of detail when changes are necessary to reach agreement with industry. The logistics specialist shall ensure the line item structure and process meet the requirements of Item Unique Identification, the DoN Serial Item Management Strategy, physical accountability (receipt, acceptance, and movement of material), and the coordination of the information management requirements for the introduction of new and interim end items. The PM is responsible for ensuring adequate program office resources are available in order to accommodate the level of effort and detail data required in Department of the Navy business systems.

No later than July 24, 2009, recommend each SYSCOM/DRPM establish and present an implementation plan to alert your workforce and lead the implementation of the PPSM with the required change in culture. The plan shall include the selection of a lead program to prototype the new process and a projected date for full implementation. We will provide assistance, as needed, to support your staff with technical guidance and will conduct an enterprise assessment of implementation plans and command instructions. The Enterprise Business Office under the Deputy Chief Management Officer will track implementation of this process to ensure we manage the workload carefully, train our staff properly, and validate that our manual reconciliations decline as this process is put into place.

The Secretariat point of contact for any questions is CDR James W. Melone, 703 693-4071.

John W. McNair
ASN (FM&C)
Acting

Sean J. Stackley
ASN (RD&A)

Attachment:
DCMO memo, “Identification of Data Required to Link the End to End ‘Procure to Pay’ Process (Exhibit Line Item Resolution),” dtd May 8, 2009

Distribution:
See next page
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SUBJECT: Alignment of Acquisition, Financial, and Logistics Detail Across the Enterprise

cc:
DASN (A&LM)
DASN (FMO)
From: Deputy Chief Management Officer  
To: Distribution  

Subj: IDENTIFICATION OF DATA REQUIRED TO LINK THE END TO END "PROCURE TO PAY" PROCESS (EXHIBIT LINE ITEM RESOLUTION)

1. PDASN (RD&A) Admiral Architzel recently established a working group to identify the causes of ongoing manual reconciliation requirements at NavAir following the rollout of Navy ERP.

2. The senior level working group identified misalignment of transaction detail (funding line, contract line, invoice line, and inventory unit) as the cause of many of the failures in the Department's systems, legacy or Navy ERP. One particular example of causing this misalignment results from the use of Exhibit Line Item Numbering (ELIN) where detail items are listed in exhibits rather than keyed into our automated systems.

3. To address this, the Department of the Navy requires a process to align pre-contract award finance, procurement, and logistics planning with post-contract award administration of finance, procurement, and logistics operations. We must establish policy and processes to ensure that a common tracking level is used throughout our process from writing a contract, to tracking the asset to paying the invoice.

4. Because the end to end procure to pay process (creating a contract to paying for the good or service) begins with the program manager, he or she will be the primary person accountable for determining the accurate and complete data tracking level for the end to end life cycle acquisition of a given item.

5. To implement this accountability and begin addressing the root cause of many of our data reconciliation requirements in the area of the procure to pay and inventory tracking processes, I request that you establish the following by June 15, 2009:

   a. Functional Process Owner Guidance. This guidance should establish a standard, program manager-led pre-procurement meeting that identifies the level of detail required for a given procurement to align with acquisition, financial and logistics tracking requirements. (For example, the level at which the item is entered into Navy ERP must align with the level at which the Navy will be paying for the item). Representatives from the logistics, finance, and the pre and post award procurement communities should participate in this alignment meeting prior to creation of the contract. The three groups should be signature
parties to the written agreement stating the tracking level, which should then be implemented into the contract to ensure the vendor delivers and invoices the Navy at the agreed upon level. Exhibit line items shall not be used for items requiring either asset tracking or payment. Commands which have not yet rolled out Navy ERP shall also be included in your guidance. Our goal is to identify a standard tracking level to be used in as many instances as possible given particular types of contracts or acquisitions.

b. Along with this identification of the accurate data tracking level, the ELIN working group will validate Navy system to DoD level system interfaces to ensure that the appropriate level of detail is tracked accurately throughout the process.

c. This office will work closely with your staffs to educate, train, and implement this integrated policy. The functional guidance described above, combined with subject matter experts' participation will be critical to this effort and to reducing reconciliations throughout the Navy and DFAS processes.

6. I, and my staff, am available to support you in implementing this guidance. As we continue to roll out Navy ERP and work towards establishing visibility of our end to end processes, we will continually see that our acquisition, finance and logistics, processes are all components of one integrated picture. We can and will streamline our processes to better support our warfighters. But doing so requires a better understanding of the impact individual process decisions have on other functional units.

7. PDASN (RD&A)'s senior-level working group has done excellent, diligent work identifying the causes of some of our current process errors. Their subject matter expertise is a key resource that is also available to you as you work to implement this guidance.

Anne Neuberger

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