MEMORANDUM FOR DISTRIBUTION

SUBJECT: Near-Term Actions Regarding Obligation of PEO/DRPM Program Investment Funds and Other Contracting Actions

Ref: (a) SECNAV message, Risk Mitigation Fiscal Planning, dtg 112146Z Jan 13
(b) DEPSECDEF memorandum, Handling Budgetary Uncertainty in Fiscal Year 2013, of 10 Jan 2013

As SECNAV said in the guidance released on Friday, "given the great uncertainty we face, we must enact prudent, but stringent belt-tightening measures now that will permit us to operate the Navy and Marine Corps through the rest of this fiscal year if the CR is extended." And the Department of Navy (DON) acquisition community must keep prudent watch over obligations in the acquisition portfolio to ensure resources are being assigned to DON priorities in this environment.

Provided below is interim policy on near-term actions regarding PEO program obligations and other contracting action obligations.

- Ongoing program activities should continue unabated and no actions taken that would cause significant disruption (cost or schedule), without approval of the Milestone Decision Authority.

- Reference (b) specifies that all R&D and production contracts and contract modifications that obligate more than $500 million must be cleared through the USD (AT&L) prior to award. These requests should be submitted to the ASN (RD&A) for review and forwarding to USD (AT&L).

- In addition, for DON RDT&E and Procurement accounts, a process is being established to proactively monitor proposed obligations. Therefore, until further notice, all RDT&E and Procurement funded PEO/DRPM program obligations that use FY13 and Prior Year available funding must be cleared for approval in accordance with dollar thresholds specified below. This includes obligations for contract actions, Navy Working Capital Fund (NWCF) transactions (except for NWCF funded government labor), and RDT&E and Procurement appropriation funded program office operations. TDY funding obligations in support of acquisition programs should be for mission-critical travel only in accordance with guidance provided in the references above.
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- Thresholds for RDT&E and Procurement account obligations are as follows:
  - $500M or greater – approval by USD (AT&L)
  - $10M to $500M – approval by ASN (RD&A)
  - Up to $10M – approval by PEO

- For all other contracting actions that obligate funding for supplies or services, the
  following approval thresholds apply prior to execution of a contract action or the
  approval of an Economy Act D&F by a contracting officer. Where practical and
  permissible under applicable law and policy, incrementally fund contracts to encompass
  only FY13.

  - $100M or greater – approval by ASN (RD&A)
  - $25M to $100M – approval by your respective Command HCAs

The approval process for program obligations and contracting obligations with thresholds
at the ASN (RD&A) level includes submission of the request by the PEO or Command HCA to
DASN M&B (who will coordinate with the ASN (RD&A) senior staff) prior to providing the
package to the ASN (RD&A) for approval. Included in your request for approval should be the
following information:

- Dollar amount to be obligated, the appropriation and the year of funding
- Purpose of the program obligation or contract obligation
- Impact if not approved at this time

Since ongoing activities should continue unabated and no actions should be taken that
would cause disruption (cost or schedule), allow sufficient time to go through the approval
process.

In addition, FY13 unexpended obligations will be reviewed to determine if, where practical,
funds may be de-obligated to also be available to address significant shortfalls in the DON FY13
operations and maintenance accounts if it becomes necessary due to the impacts of operating
under the current CR and the potential of the CR being extended to the end of Fiscal Year 2013.

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