MEMORANDUM FOR DISTRIBUTION

SUBJECT: Contractual Services Guidance for Fiscal Year 2018

Reference: (a) Title 10, U.S. Code, Section 2330, Procurement of Contract Services
(b) Department of Defense Instruction 5000.74, “Defense Acquisition of Services,” dtd January 5, 2016
(c) Joint Assistant Secretary of the Navy (ASN (RD&A)/ASN (FM&C)) Memorandum, “Guidance for Identifying and Aligning Product Service Codes and Object Class Codes (PSC/OCC) in Procurement and Financial Systems for Contractual Services,” dtd July 23, 2015
(d) Joint Assistant Secretary of the Navy (ASN (RD&A)/ASN (FM&C)) Memorandum, “Contractual Services Guidance for Fiscal Year 2016/2017,” dtd July 1, 2016

The Department of the Navy (DON) continues to improve the planning, management and oversight of contractual services. Based on FY16 contractual services spend data, contractual services accounted for $36.2B, or 45 percent of the total contract obligations for the DON. Scarce resources dictate that we achieve transparency and accountability, and eliminate waste, fraud and abuse. Per reference (a), the Assistant Secretary of the Navy for Research, Development and Acquisition (ASN (RD&A)) has responsibility for the policy, processes and oversight of contractual services acquisition.

In accordance with references (a) through (c), this memorandum provides amplifying and clarifying guidance on the validation and execution of contractual services requirements and supersedes previous guidance provided by way of reference (d). The effective date of this memorandum is October 1, 2017.

All Navy/Marine Corps Budget Submitting Offices (BSOs), Program Executive Offices (PEOs) and Direct Reporting Program Managers (DRPMs) must have a formal process in place, referred herein as the Service Requirements Review Board (SRRB), to identify, plan, prioritize and validate contractual services requirements prior to issuing funding documents. Commanders must ensure their organizations conduct SRRBs and maintain proper oversight and accountability of all contractual services requirements.

Financial Managers shall not issue funding documents for the procurement of contractual services prior to SRRB approval of the requirement. Funding documents must be annotated with the SRRB requirement approval date and include the services
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identification number (SID). To be clear, SRRB approves requirements, not individual funding documents.

Action: Attachment (1) outlines specific guidance and actions related to SRRB policy, processes and oversight of contractual services. Attachment (2) is the SRRB Results Data Template that must be used to submit FY18 SRRB results to ASN (RD&A) at SeniorServicesManage.fct@navy.mil no later than October 31, 2018.

Services Acquisition and SRRB questions can be directed to Mr. Roger Ferreira, (703) 614-9642, Roger.Ferreira@navy.mil: fiscal policy management questions to Ms. Pam Balla, (703) 695-5827, Pamela.Balla@navy.mil: and budget object classification questions to Mr. Dennis Kelley, (703) 695-5827, Dennis.Kelley@navy.mil.

Joseph B. Marshall, Jr.
Acting Assistant Secretary of the Navy
(Financial Management and Comptroller)

Allison F. Stiller
Acting Assistant Secretary of the Navy
(Research, Development and Acquisition)

Attachments:
As stated
SUBJECT: Contractual Services Guidance for Fiscal Year 2018

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DON/AA
FLTFORCOM U.S
FSA
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HQMC (P&R)
ONR
ONI
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MSC
NSMA
NAVRESFOR
NAVSO
PACFLT
SSP
PEO JSF
PEO SSP
PEO EIS
PEO C4I
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PEO LCS
PEO SHIPS
PEO IWS
PEO SUBMARINES
PEO CARRIERS
PEO LS
PEO A
PEO T
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Contractual Services Guidance for Fiscal Year 2018

1. All Budget Submitting Offices (BSOs), Program Executive Offices (PEOs) and Direct Reporting Program Managers (DRPMs) must conduct Service Requirements Review Boards (SRRBs) as a means of complying with reference (a) for all applicable Department of the Navy (DON) funded service requirements and service contracts. Service contracts are defined in the Federal Acquisition Regulation (FAR) subpart 37.101 as a "contract that directly engages the time and effort of a contractor whose primary purpose is to perform an identifiable task rather than to furnish an end item of supply". All services requirements and service contracts over the Simplified Acquisition Threshold (SAT) (including contract options) require SRRBs with the following exceptions:

   a. Prime Engineering, Manufacturing and Development (EMD) contracts for Acquisition Category (ACAT) programs.

   b. Construction as defined in FAR subpart 2.101.

   c. Utilities services (including heat, light, power, water, gas, electricity, sewage and other utility services).

   d. Commercial subscription services (database and information systems, periodicals, publications and educational course subscriptions).

   e. Off-the-shelf commercial software/licensing agreements and updates available as a commercial supply.

   f. Foreign Military Sales funded services contracts.

   g. National Defense Sealift Funds executed on a direct and reimbursable basis.

   h. Leases of Real Property. See SECNAVINST 11011.47C.

2. All BSOs/PEOs/DRPMs shall have an SRRB policy approved at the Flag/General Officer or Senior Executive Service (SES) level for all applicable contractual services requirements within their respective commands. Command leadership shall be responsible for the review, adjudication, and prioritization of services requirements taking into consideration: strategic alignment with mission need; relationship to other requirements; workforce analysis; and market research results. The requiring activity is responsible for submitting service requirements to the SRRB regardless of the source of DON funding or contract vehicle chosen to deliver the service. In addition to validating new service requirements, requirements for contract options must also be validated to ensure that exercising the option remains aligned with command priorities.

3. Financial Managers shall not issue funding documents for the procurement of contractual services prior to SRRB approval of the requirement for all services requirements valued above the SAT. Funding documents must be annotated with the SRRB requirement approval date and include the services identification number (SID).

Attachment (1)
When using procurement account funds for services requirements, the SRRB should review all obligations that are beyond the first year of funds availability to comply with annualized funding policies. Exceptions to this policy include Shipbuilding and Conversion, Navy (SCN) funds that are required to comply with full funding policies.

4. All SRRB policies shall:

   a. Specify the requirement for the SRRB reviews and indicate documentation and data requirements for each services requirement submitted for validation and approval.

   b. Establish SRRB procedures at headquarters (HQ) and lower echelons including board composition and delegated approval levels. HQ commands must ensure lower echelons conduct SRRBs, provide oversight of these SRRB processes and collect SRRB results for a consolidated data submission to ASN (RD&A).

   c. Address how PEOs/DRPMs will include SRRB results as part of their respective ASN (RD&A) PEO Reviews.

   d. Identify the use of alternate services requirements validation processes utilized within the command which meet the intent of the SRRB. These alternative processes may be utilized in lieu of an SRRB but must yield equivalent results, SRRB data, and be identified in the commands SRRB policies. Current examples of SRRB equivalent processes include:

      (1) Science and Technology research and grants funded with Research, Development, Test and Evaluation are reviewed, validated, prioritized and approved via the Office of Naval Research process.

      (2) Husbanding services requirements are reviewed, validated, prioritized, and approved via the Fleets' Port Visit Management Cost Avoidance process.

      (3) Fleet/Shore Environmental program are reviewed, validated, prioritized, and approved via the Environmental Program Review web process.

      (4) Ship maintenance, overhaul and repair of vessels are reviewed, validated, prioritized, and approved via the most current version of OPNAV 4700.7L.

   e. Ensure SRRBs are chaired by a Flag/General Officer or SES, or the Commander when there is no Flag/General Officer or SES assigned to the command. Validation of services requirements below $1M may be delegated below the O-6/GS-15 level.

   f. Include a mechanism to ensure SRRB approval is clearly annotated on funding documents and/or in the financial system of record to include the assignment of a services identification number (SID).

   g. Ensure that meeting minutes, action items, key recommendations and findings are recorded and distributed as directed by SRRB chair.
h. Identify the means to record and maintain data relative to the SRRB. This would include collecting SRRB data from subordinate commands for consolidation prior to reporting to ASN (RD&A). If commands do not already have a data collection process in place, the SRRB Results Data Template, provided in Attachment (2), should be used to support their own SRRB data collection requirements.

i. Define processes for the submission of consolidated SRRB results for all individual services requirements, valued at or above $10M, no later than October 31, 2018 utilizing the SRRB Results Data Template, provided as attachment (2). These consolidated SRRB results must be submitted to the DON Senior Services Manager (SSM) at SeniorServicesManage.fct@navy.mil. Although all services requirements over the SAT require SRRBs, BSOs/PEOs/DRPMs must only submit SRRB results for service requirements valued at or above $10M. Classified data shall not be submitted to DON SSM, but shall be captured and maintained in a secure environment consistent with its classification level and available upon request by appropriately cleared officials.

5. The Services Health Assessments, Outreach, and Training (SHAOT) program will continue to review and provide oversight of SRRB policies and implementation throughout the DON. All activities conducting SRRBs will support SHAOT initiatives and site visits. The DON SSM will provide additional guidance addressing the increased involvement of the lower Echelons in providing SRRB oversight within their commands.

6. Efforts need to continue at every level to ensure the correct Product Service Codes (PSCs) and Object Class Codes (OCCs) are utilized at the Contract Line Item Number level. PSCs and OCCs are essential for spend and budget analysis of contractual services. All personnel must utilize the process in reference (c) to ensure the accuracy of data in both contracting and accounting systems.

7. The Defense Procurement and Acquisition Policy (DPAP) PSC Selection Tool may be used for identifying an appropriate PSC. However, for alignment of PSC/OCC, the Object Class Question Tracker (OQT) crosswalk (https://fmbweb1.navcen.navy.mil/cfdocs/mkt/mkt.cfm) contains the most up-to-date PSC/OCC data and other DON specific PSC/OCC adjudications that can be utilized by all DON personnel in lieu of the DPAP crosswalk. Questions concerning PSC and OCCs should be submitted through the OQT, including issues regarding OCC adjudication. A PSC/OCC training package is available on the OQT as well.
Fiscal Year 2018 Service Requirements Review Board Results Data Template

The Service Requirements Review Board (SRRB) Results Data Template provides the data format all Budget Submitting Offices (BSOs), Program Executive Offices (PEOs) and Direct Reporting Program Managers (DRPMs) should use to submit FY18 SRRB results to DON SSM. SRRB results need to be submitted for all services requirements valued at or greater than $10M to SeniorServicesManage.fct@navy.mil no later than October 31, 2018. The required minimum data elements and their definitions are defined in Table 1: SRRB Results Data Dictionary.

Table 1: SRRB Data Results Data Dictionary

<table>
<thead>
<tr>
<th>DATA ELEMENT</th>
<th>DATA ELEMENT NAME</th>
<th>DESCRIPTION OF DATA UNDER THIS COLUMN HEADING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeting Submitting Office/Program Executive Office/Direct Reporting Program Managers</td>
<td>BSO/PEO/DRPM</td>
<td>Office responsible for the services requirement.</td>
</tr>
<tr>
<td>Description of Service Requirement</td>
<td>Description</td>
<td>A brief description of the services to be provided.</td>
</tr>
<tr>
<td>Product and Service Code</td>
<td>PSC</td>
<td>The 4 digit alpha-numeric PSC that describes, at the line item level, the service and products being procured. The Defense Procurement and Acquisition Policy (DPAP) PSC Selection Tool may be used for identifying an appropriate PSC.</td>
</tr>
<tr>
<td>Object Class Code</td>
<td>OCC</td>
<td>Select the services-related OCC from the drop down box. OCCs are categories, as established in OMB Circular A-11, which describe obligations by services purchased by the Federal Government. OCCs are required in Lines of Accounting at the CLIN level in alignment with the PSC to OCC crosswalk posted on the DON Object-Data Question Tracker (QGT).</td>
</tr>
<tr>
<td>Service Requirement Review Board Approval (Date)</td>
<td>SRRB Approval Date</td>
<td>The date the requirement was validated/approved by the SRRB. (mm-dd-yyyy)</td>
</tr>
<tr>
<td>Service Requirement Review Board Number/Services Identification Number</td>
<td>SRRB Number/ SID</td>
<td>Enter the Services Identification (SID) number or other unique identifier your organization assigned when the services requirement was validated. One example of an SRRB number could include: BSO-Budget Activity-SRRB Approval Date-SRRB FY Sequence Number (SID: 24-00-010117-001)</td>
</tr>
<tr>
<td>Solicitation / Contract Number</td>
<td>Solicitation / Contract #</td>
<td>Enter one of the following: - Solicitation Number (preaward) - Contract Number (if new award/option/task order) - N/A (only if no solicitation has been issued)</td>
</tr>
<tr>
<td>Contract Award (New / Modification / Bridge or Option Exercised)</td>
<td>New Modification Bridge Option Exercised</td>
<td>Enter type of contract action for this requirement: - New: A new contract award - Modification: A change to existing contract - Bridge: Non-competitive contract awarded to &quot;bridge&quot; two contracts for same requirement - Option: Exercising an option of an existing contract</td>
</tr>
<tr>
<td>Appropriation</td>
<td>APPN</td>
<td>Data field includes the funds appropriation (RDT&amp;E, Procurement, O&amp;M, etc.) Select the appropriation symbol used for the service from the drop down box (e.g. 1319 = RDT&amp;E). If multiple appropriations will be used, annotate all appropriations.</td>
</tr>
<tr>
<td>Fiscal Year of funding</td>
<td>FYS</td>
<td>Fiscal Year of appropriation.</td>
</tr>
<tr>
<td>Current Year Dollar Value ($)</td>
<td>Current Year Amount ($)</td>
<td>The actual current year dollar value of this requirement for a new contract / modification / bridge / option.</td>
</tr>
<tr>
<td>Total Dollar Value ($)</td>
<td>Total Amount ($)</td>
<td>Enter the full dollar amount to the nearest dollar (use $10,000,000.00 - not $10M). For a new/modification: - The total actual dollar value (regardless of FY) of the requirement being approved including all options, if exercised and fully funded. For an option/bridge: - The total actual dollar value (regardless of FY) of the option or bridge contract including all options, if exercised and fully funded.</td>
</tr>
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</table>
An electronic copy of the excel version of the SRRB Data Results Template is available on the CAC enabled DASN AP Service SharePoint (ensure email certificate is used for accessing SharePoint) at https://navy.deps.mil/peoeis/sites/dasnap/Services%20Acquisition/default.aspx.

Copies of the excel version of the SRRB Data Results Template can also be requested by sending an email to SeniorServicesManager.fct@navy.mil.
### Fiscal Year 2018 Service Requirements Review Board Results Data Template

**Version date: 19 May 2017**

*Please provide the information below for any requirements greater than $10M by 31 October 2018.*

<table>
<thead>
<tr>
<th>BSO/PEO/DRPM</th>
<th>Description</th>
<th>PSC</th>
<th>OCC</th>
<th>SRRB Approval Date</th>
<th>SRRB Number / SID</th>
<th>Solicitation / Contract #</th>
<th>New / Modification / Option Exercised / Bridge</th>
<th>APPN</th>
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<th>Current Year Amount ($)</th>
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Attachment (2)