MEMORANDUM FOR DISTRIBUTION

SUBJECT: Contractual Services Guidance for Fiscal Year 2016/2017

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) Office of Assistant Secretary of the Navy (ASN (RD&A)) Memorandum, “Service Requirements Review Board Guidance,” dtd April 13, 2012
(d) Joint Assistant Secretary of the Navy (ASN (RD&A)/ASN (FM&C)) Memorandum, “Contractual Services Guidance for FY 2016,” dtd March 31, 2016
(e) 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

The Department of the Navy (DON) continues to improve the planning, management and oversight of contractual services. While the Department’s total obligating authority has decreased, the percentage spent on contractual services has remained high. Competing requirements in declining budgets, auditability mandates and manpower reductions require us to enable full transparency and accountability, maximize buying power, and reduce waste, fraud and abuse. Per reference (a), the ASN (RD&A) has responsibility for the policy, processes and oversight of contractual services acquisition.

ASN (RD&A) is developing SECNAVINST 5000.41, “DON Acquisition of Services” to fully implement references (a) and (b). Pending the anticipated release of this instruction, this memorandum provides amplifying and clarifying guidance on the validation and execution of contractual services requirements and supersedes references (c) and (d).

All Navy Budget Submitting Organizations (BSOs) and the Marine Corps, Program Executive Offices (PEOs) and Direct Reporting Program Managers (DRPMs) must have a formal process in place to identify, plan, prioritize and validate contractual services requirements, prior to executing funding documents; this process is the Service Requirements Review Board (SRRB). Commanders will ensure their organizations implement SRRBs and maintain proper oversight and accountability of all contractual...
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Services. Commands shall formalize and implement SRRBs immediately, but no later than October 1, 2016. Financial managers will not release funding documents for the procurement of contractual services without SRRB approval after October 1, 2016.

Action: Attachment (1) outlines specific guidance and actions related to the implementation of SRRBs and serves as interim guidance pending the release of SECNAVINST 5000.41. A SRRB Policy template is available upon request.

Services Acquisition and SRRB questions can be directed to Ms. Shirley Franko, (703) 693-1167, Shirley.Franko@navy.mil; fiscal policy management questions to Ms. Pam Balla, (703) 695-5816, Pamela.Balla@navy.mil; and budget object classification questions to Mr. Dennis Kelley, (703) 692-1679, Dennis.Kelley@navy.mil.

S. J. Rabern
Assistant Secretary of the Navy
(Financial Management and Comptroller)

Sean J. Stackley
Assistant Secretary of the Navy
(Research, Development and Acquisition)

Attachments:
(1) Fiscal Year 2016/2017 Contractual Services Guidance
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Fiscal Year 2016/2017 Contractual Services Guidance

1. Service Requirements Review Boards (SRRBs). All Budget Submitting Organizations (BSOs), Program Executive Offices (PEOs) and Direct Reporting Program Managers (DRPMs) will conduct SRRBs as a means of complying with reference (a) for all Department of the Navy (DON) funded service contracts, as defined in the Federal Acquisition Regulation (FAR) subpart 37.101 over the Simplified Acquisition Threshold (SAT) 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 contractual services.

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

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

   i. Base Operating Support (BOS). During various site visits, issues have been raised with the process of funding and awarding BOS contracts. ASN (RD&A) and ASN (FM&C) will convene a small working team to investigate how to streamline this process, enabling greater transparency by all stakeholders.

2. All BSOs/PEOs/DRPMs shall have an SRRB policy approved by Flag Level, Senior Executive Service (SES) for services requirements throughout their command. 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. The activity requiring contracted services is responsible for submitting services requirements to the SRRB regardless of the source of DON funds. The SRRB is supported by a team of functional experts. Existing formal processes that meet the intent of an SRRB, regardless of whether they are supply or services related, may be utilized in lieu of an SRRB. Requirements validation and prioritization is required prior to exercising contract options for services. The BSO/PEO/DRPM shall submit the approved SRRB policies to the DON Senior Services Manager (SSM), and as significant changes occur. Acquisition programs will include contractual service SRRB results in the Assistant Secretary of the Navy (Research, Development and Acquisition) (ASN (RD&A)) PEO Reviews.
Financial managers shall not release funding documents for the procurement of contractual services that have not been approved by SRRBs, above the SAT.

3. All SRRB policies shall:
   a. Direct the review of all applicable contractual services requirements above the SAT.
   b. Specify the requirements for the Board to convene and the documentation/data to be presented for each services requirement.
   c. Establish procedures at headquarters and lower echelons including board composition and delegated approval levels.
   d. Identify the use of alternate formal processes utilized within the command to review and validate unique services requirements such as:
      (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 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 4700.7.
   e. SRRB Board shall be chaired by Flag/SES, or the Commander when there is no Flag/SES. Services requirements below $1M may be delegated to 06/GS15 level.
   f. Designate board members and ensure members submit Office of Government Ethics (OGE) Form 450/278e, as appropriate, annually.
   g. Ensure that meeting minutes, action items, key recommendations and findings are recorded.
   h. Identify the means to record and maintain data relative to the SRRB. Recommended minimum data is: a tracking number for the requirement, title, total estimated value, SRRB approval authority and SRRB approval date.
   i. All BSOs/PEOs/DRPMs shall submit consolidated annual results of SRRBs by October 31 for the prior fiscal year, in originator format, to the DON SSM at seniorservicesmanage@fct.navy.mil. Classified data shall not be submitted to DASN (AP), but
shall be captured and maintained in a secure environment consistent with its classification level and available upon request by appropriately cleared officials.

4. Annualized Funding Policy. Funds for contractual services in procurement accounts not executed in the first year of availability of the account requires approval of the Command's SRRB. This practice does not preclude spending prior year funds, but ensures validation of the requirement and the appropriate use of funds. Exceptions to this policy are Shipbuilding and Conversion, Navy (SCN) funds that are required to comply with full funding policies.

5. Services Health Assessments and Outreach (SHAO). The SHAO program will continue to review and provide oversight of SRRB policies and implementation throughout the Department. All activities conducting SRRBs will support SHAO initiatives and site visits. The SSM will report annually to ASN (RDA), ASN (Financial Management and Comptroller), Vice Chief of Naval Operations and the Assistant Commandant of the Marine Corps on command compliance to the requirements within this policy.

6. Product Service Codes (PSCs) and Object Class Codes (OCCs).
   
   a. Efforts need to continue at every level to ensure the correct PSCs and 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 will utilize the process in reference (e) to ensure the accuracy of data in both contracting and accounting systems.

   b. 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.nmci.navy.mil/cfdocs/mkt/mkt.cfm) contains the most up-to-date and DON specific adjudications and will 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.