



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
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JUN 07 2004

DPAP/P

MEMORANDUM FOR TECHNICAL DIRECTOR, AUDIT FOLLOWUP & GAO  
AFFAIRS, DODIG

THROUGH: DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS

SUBJECT: Follow-up on GAO Report No. GAO-03-727, "DoD Contract Payments:  
Management Action Needed to Reduce Billions in Adjustments to Contract  
Payment Records", August 8, 2003

You have requested a current **status** report on proposed DoD actions in response to the subject report. A summary of the GAO recommendation, the DPAP response, and the current status for each of the actions that DPAP proposed to take are as follows:

RECOMMENDATION A.1: The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense (Acquisition, Technology, and Logistics) to develop payment allocation options for presenting standard payment instructions in contracts containing multi-funded contract line items.

DOD RESPONSE: Partially Concur. DoD agrees to establish a standard section (e.g., Section G) of the contract for placement of payment provisions, which would include any payment allocation provisions. In addition, the Defense Acquisition Regulatory Council (DARC) is currently processing a revision to the DFARS that will require standard payment instructions to be selected from twelve payment allocation options in contracts containing multi-funded items.

CURRENT STATUS: The proposed regulatory revision is currently at the Office of Information and Regulatory Affairs (OIRA) for review. Upon approval from OIRA, the revision will be published as a proposed rule in the Federal Register.

RECOMMENDATION A.4: The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense (Comptroller) to direct the Director of the Defense Finance and Accounting Service to issue guidance reiterating the Defense Finance and Accounting Service's internal requirement that when a contract does not contain payment instructions and the contractor invoice does not contain payment instructions, the payment for costs and services must be allocated to ACRN's financed on a cost



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reimbursable basis in accordance with the Defense Finance and Accounting Service desk procedures.

DOD RESPONSE: Concur. A memorandum will be issued by the Deputy Director, Commercial Pay Services, directing adherence to Defense Finance and Accounting Service policies and procedures, especially as relates to the lack of definitive payment instructions in the contractual documents.

CURRENT STATUS: A copy of the DFAS memorandum dated September 24, 2003, is attached.

If you have any questions regarding this memorandum, please contact my point of contact Mr. David J. Capitano, at 703-847-7486 or via e-mail at david.capitano@osd.mil.



Deidre A. Lee  
Director, Defense Procurement  
and Acquisition Policy

Attachment:  
As stated