



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-3000

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MEMORANDUM FOR COMMANDER, UNITED STATES SPECIAL OPERATIONS
COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES TRANSPORTATION
COMMAND (ATTN: ACQUISITION EXECUTIVE)
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(ACQUISITION AND PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING)
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Contract Line Item Pricing Integrity

Requirement documents and contracts must define clear requirements that reflect supplies and services acquired by the Department of Defense (DoD). This enables accurate contract completion and payments. Among the issues identified through independent verification and validation of contract data is the use of units of measure 'dollars' or 'lump sum' in line item descriptions or the absence of any unit of measure to correspond to the quantity required. Each contract line item must describe the products or services to be delivered in a quantity and unit of measure that relates to actual deliveries or contract performance completion.

A recent review of data for 4.4 million line items for actions issued in the first five months of FY2011 found that 1.2 million line items (27%) had no unit of measure and that 485,000 (11%) used either 'dollars' or 'lump sum' as the unit of measure. 19,000 line items used a unit of measure of 'each' for service contracts with a unit price of one dollar. These line items do not clearly identify what we are buying and creates an integrity issue for the Department that impacts our ability to achieve a clean audit and undermines open government objectives.

All deliverable line items should clearly define the quantity and unit of measure of the product or service to be delivered. A list of available units of measure has been published at: http://www.acq.osd.mil/dpap/pdi/eb/procurement_data_standard.html. No contract action should be issued using 'lump sum' or 'dollars' as a unit of measure. Contract pricing arrangements should ensure prices are proportional to work performed and that actual deliveries can be traced to the prices. The on line Defense Acquisition University (DAU) course CLC033 "Contract Format and Structure for DoD e-Business Environment" will be modified to re-emphasize this issue, as well as incorporating this training into core contracting classes at DAU.

To the extent that the use of the units of measure 'dollars' and 'lump sum' are driven by the limitations of legacy or new systems performing entitlement (such as CAPS, IAPS, or the

Enterprise Resource Planning systems), Components shall designate a Mechanization of Contract Administration Services (MOCAS) office as the payment office in lieu of the payment office that would otherwise be assigned. Designating a MOCAS office for this purpose does not require delegation of contract management to DCMA.

Defense Procurement and Acquisition Policy (DPAP) has published instructions to facilitate the payment office assignment at <http://www.acq.osd.mil/dpap/pdi/eb/mocas.html>. For a MOCAS payment office assignment, use the Federal Directory of Contract Administration Services Components 2.0 tool (<https://pubapp.dcma.mil/CASD/main.jsp>). When the buying activity does not delegate administration, use the Directory to find the link to what would be the administration office if administration had been delegated, and click on the payment office link at that site.

If there are any additional issues that should be addressed beyond training to achieve the goals discussed above, please let my office know within 60 days. DPAP will continue to monitor this issue through contract data to ensure progress is achieved. My action officer for this is Bruce Propert, Bruce.Propert@osd.mil or 703-588-0830. The DFAS action officer is Juan Camacho, Juan.Camacho@dfas.mil or 317-212-3463.



Richard Ginman
Director, Defense Procurement
and Acquisition Policy