March 26, 2020

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Procure-to-Pay Requirements Overview for Data Exchanges ("Handshakes 1-9")

The Department faces auditability challenges. Key enterprise financial metrics indicate a significant number of unmatched transactions, especially within the Contract Pay and Vendor Pay business areas. To reverse these trends, the Procure-to-Pay Process Advocates Working Group (P2PPAWG), co-chaired by the Director, Contracting eBusiness, and the Director, Business Process and Systems Modernization, has been engaged in determining root causes within the Department's end-to-end processes.

Analysis shows data exchanges (or "handshakes") between functional communities lack standard business rules and internal controls necessary to eliminate material weaknesses, facilitate downstream business processes, and achieve system-to-system interoperability. In response, the P2PPAWG developed an overview for how the requirements, procurement, accounting, and entitling communities should conduct business across nine critical P2P data exchanges. The overview is attached and can also be found at https://www.acq.osd.mil/dpap/pdi/docs/P2P_handshake_requirements_overview.pdf.

We envision creating more supplemental standard operating procedures to provide additional detailed requirements for each data exchange.

Should you have questions, the procurement point of contact is Mr. Bruce Propert (david.b.propert2.civ@mail.mil or 703-697-4384) and the financial management point of contact is Mr. Jerimiah Bennett (jerimiah.m.bennett.civ@mail.mil or 571-372-8203).

EASTON.MARK.EDWARD.1149725241
Digitally signed by
EASTON.MARK.EDWARD.1149725241
Date: 2020.03.26 17:01:10 -04'00'

Kim Herrington,
Acting Principal Director,
    Defense Pricing and Contracting
Office of the Under Secretary of Defense
    for Acquisition and Sustainment

Mark E. Easton,
Deputy Chief Financial Officer,
Office of the Under Secretary of Defense
    (Comptroller)

Attachment:
As stated

DISTRIBUTION:
ASSISTANT SECRETARY OF DEFENSE FOR ACQUISTION
ASSISTANT SECRETARY OF DEFENSE FOR INFRASTRUCTURE
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES
DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR INFRASTRUCTURE
DEPUTY ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS
    (ACQUISITION AND PROCUREMENT)
DEPUTY ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS (FINANCIAL
    OPERATIONS)
DEPUTY ASSISTANT SECRETARY OF THE ARMY (PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY (ACQUISTION AND
    PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE (CONTRACTING)
ACQUISTION EXECUTIVE, U.S. CYBER COMMAND
CHIEF FINANCIAL EXECUTIVE, U.S. CYBER COMMAND
ACQUISTION EXECUTIVE, U.S. SPECIAL OPERATIONS COMMAND
CHIEF FINANCIAL EXECUTIVE, U.S. SPECIAL OPERATIONS COMMAND
ACQUISTION EXECUTIVE, U.S. TRANSPORTATION COMMAND
DIRECTOR, PROGRAM ANALYSIS AND FINANCIAL MANAGER, U.S.
    TRANSPORTATION COMMAND

Procure-to-Pay (P2P) Requirements Overview for Data Exchanges ("Handshakes" 1 - 9)

Version 2.0 as of March 24, 2020

Table of Contents

1   Purpose

This document provides a requirements overview for the procedures that Contracting, Accounting, and Entitlement communities will use to conduct business across Procure-to-Pay (P2P) processes that require exchanging data between different communities or systems. These data exchanges, or "handshakes", occur within and across the Department of Defense (DoD)'s Business Enterprise Architecture (BEA) processes in the enterprise architecture for the DoD Business Mission Area.

The DoDBEA defines a variety of End-to-End (E2E) processes that guide and enable implementation of interoperable Defense business system solutions and ensure that information technology (IT) investments are aligned with strategic business capabilities. The 9 P2P Handshakes are listed below:

1. Purchase Request Creation and Funds Certification
    – P2P process: Create Purchase Requisition
2. Pre-Award Funds Validation
    – P2P process: Award Procurement Instrument
3. Record Obligation
    – P2P process: Award Procurement Instrument
4. Administer Procurement Instrument and Supplemental Procurement Instrument
    – P2P process: Manage Procurement Instrument Entitlement, Administer Procurement Instrument
5. Distribute Receipt and Acceptance
    – P2P process: Perform Receipt, Acceptance, and Return
6. Perform Entitlement
    – P2P process: Manage Procurement Instrument Entitlement
7. Pay the Vendor and Record Disbursement
    – P2P process: Manage Disbursement
8. Report Payments to Treasury
    – P2P process: Budget to Report End-to-End
9. Distribution of Contract Completion Statements
    – P2P process: Perform Procurement Instrument Closeout

The Principal Director, Defense Pricing and Contracting (DPC) and DoD Chief Financial Officer (DCFO) are coordinating with the DoD Components to develop SOPs and policy updates that are specific to each the data exchanges/handshakes defined in this document. Components should plan to adjust their current procedures to ensure that their business models and supporting system architectures align with this document.

DoD Components should note that the contents of this document do not replace any guidance contained within the Federal Acquisition Regulations (FAR), or the associated policy contained within the DoD Financial Management Regulation (FMR) and Defense Federal Acquisition Regulation Supplement (DFARS). Should conflicts exist between this document and any resulting SOPs, and any formal policy documents, the FAR, DFARS, and FMR are the prevailing Government regulations.

2   Background

Components face increasing demands from users who expect that business be conducted more efficiently and from policy makers who require increasing visibility into how the DoD spends its money. The need to maintain interoperability with diverse Defense stakeholders and their specific IT environments compounds these challenges. Accounting and Entitlement systems often lack the detailed information necessary to ensure traceability to discrete award identification numbers. In addition, the Procurement and Financial eBusiness environment currently operates in an interim state, with both legacy and target systems in use that possess different levels of IT sophistication.

The Handshake SOPs were developed in conjunction with DoD Components to standardize data exchanges within the Procure-to-Pay process while minimizing the impact to current processes, meeting accountability requirements, improving overall operations, supporting E2E business process/activities, and limiting non-compliance with established policies. When fully implemented, they will ensure that transparency requirements are met. The overarching objectives of this effort enable stakeholders to:

1. Trace electronic transactions consistently from purchase request to payment for all procurement actions across the DoD, to include tracking of funding and execution data;
2. Reduce or eliminate unmatched financial transactions within the DoD enterprise P2P E2E process;
3. Ensure that committed funds are sufficient for, and traceable to, the specific line items within an award;
4. Reduce the risk of Anti-Deficiency Act violations;
5. Comply with the Federal Funding Accountability and Transparency Act (FFATA) as modified by the Digital Accountability and Transparency Act;
6. Support DoD Financial Improvement and Audit Readiness (FIAR) goals;
7. Support Records Management Requirements established in DoD Instruction (DoDI) 5015.2.;
8. Create efficiencies within the P2P environment through the use of standard data exchanges.

The objectives cited above will be achieved by jointly issuing a set of P2P Handshake SOPs instituting standard minimum data elements, business rules, and identifying roles and responsibilities for each handshake. Aligning system functionality with each SOP's vision will ensure that the data exchanges that fall within the BEA P2P processes can be executed successfully with minimal manual intervention.

Figure 1 below identifies the Procure-to-Pay data exchanges (in green boxes) and shows their mapping to the BEA processes.
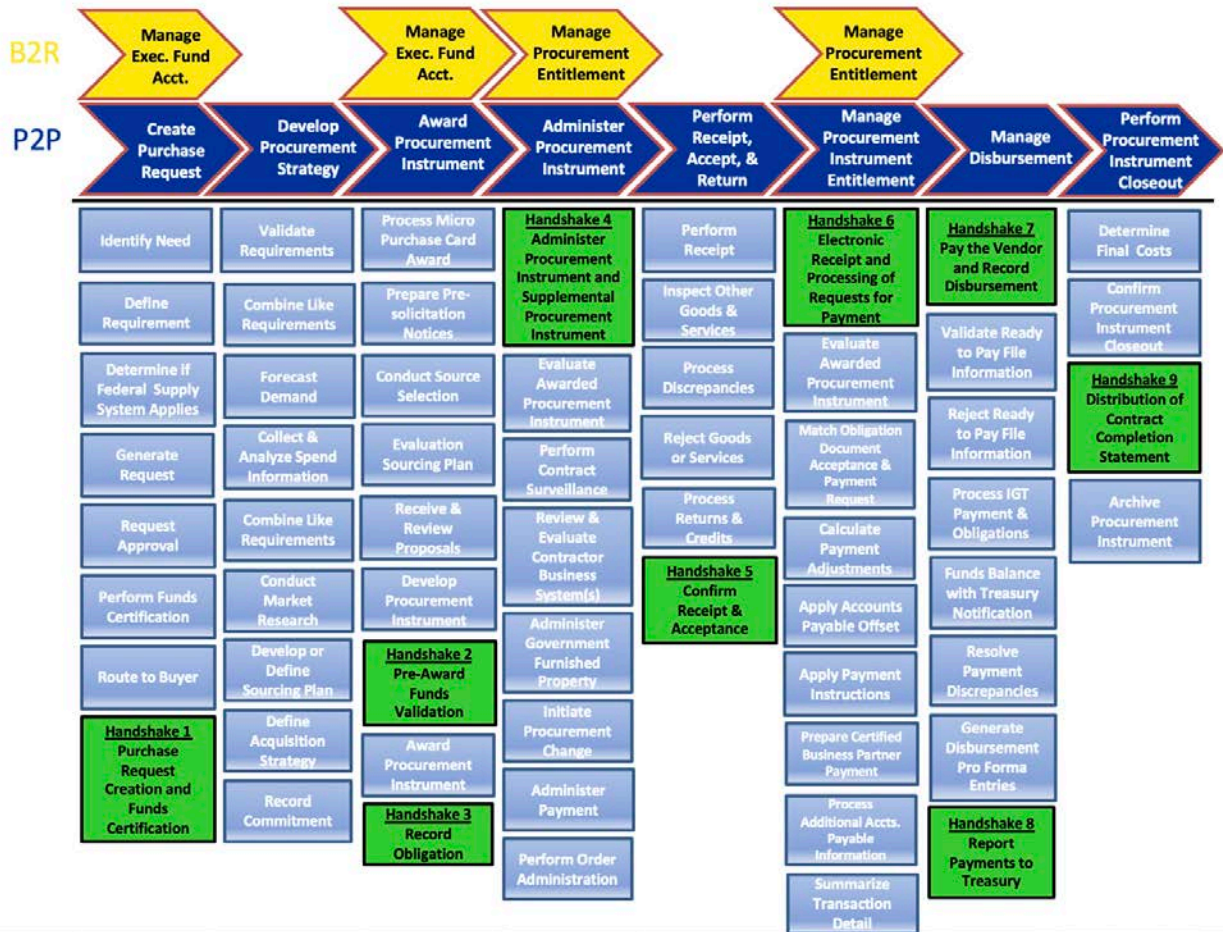

Figure 1 – BEA's P2P Process with Handshakes Highlighted

The Director, DPC and DCFO co-chair the Procure-to-Pay Process Advocates Working Group (P2PPAWG) and work with the Components to develop detailed SOPs and policy updates that are specific to each data exchange/handshake described in this document. Each SOP will clarify functional requirements, actionable implementation plans and system impacts and will include metrics for measuring the progress and impact of handshake implementation.

When an SOP for a handshake is published, Acquisition and Financial systems that generate or utilize the handshake data that will not be retired within 36 months of the SOP's publication will follow the data exchanges required in each handshake SOP. Some legacy systems' anticipated lifespan may exceed that timeframe and will not be able to implement the requirements in a cost-effective manner. Any system that will not be able to comply with any handshake SOP's requirements may submit a waiver request to the P2PPAWG co-chairs. This request must document the business case for non-compliance, as well as the compensating controls that Components will implement to ensure the outcomes identified in the SOP are still met.

The required deadlines for implementing an electronic handshake are published in each respective P2P Handshake SOP and are summarized in the table below:

Handshake SOP	Handshake Implementation Deadline
Handshake 2: Pre-Award Funds Validation	October 1, 2021
Handshakes 3 & 4: Distribution of Contract Actions to Financial Systems	May 31, 2017
Handshake 9: Distribution of Contract Completion Statements	October 1, 2021

3   Handshake Definitions

The 9 P2P Handshakes are defined as follows:

Handshake 1: "Purchase Request Creation and Funds Certification"
    <u>Definition:</u>
- The development of and receipt by the Contract Writing System of an appropriately formatted electronic Purchase Request (PR). This process includes the performance of a commitment and certification of funds against a PR in the Accounting system and all data needed for a procurement ready requirement.

    <u>Outcomes:</u>
- Achieve alignment between PRs and funding sources to enable enterprise-level traceability and transparency of both Contracting data and Accounting data.
- Provide globally unique identification of requiring, funding, and paying organizations.
- Ensure the certification of funds for appropriate time, purpose, and amount prior to award.
- Provide the ability to consistently trace PR line items through to contract line items.
- Ensure PRs contain the line item and funding data needed to satisfy the Contracting Officer's fiduciary and contract responsibilities.
- Reduce Procurement Administrative Lead Time.
- Ensure that PR data received by Contracting will be accurate, timely, and actionable through the use of DoD enterprise standards.
- Enable proper payment and Financial Accounting of line item deliveries.
- Create efficiencies through the exchange of standard data.

Handshake 2: "Pre-Award Funds Validation"
    <u>Published SOP:</u>
- https://www.acq.osd.mil/dpap/pdi/p2p/docs/P2P_SOP_for_Pre-Award_Funds_Validation_(Handshake_2)_20190228.pdf

Handshake 3: "Record Obligation"
    Published SOP:
- https://www.acq.osd.mil/dpap/policy/policyvault/USA005175-15-DPAP.pdf

Handshake 4: "Administer Procurement Instrument and Supplemental Procurement Instrument"
    Published SOP:
- https://www.acq.osd.mil/dpap/policy/policyvault/USA005175-15-DPAP.pdf

Handshake 5: "Distribute Receipt and Acceptance"
    Definition:
- The electronic receipt and acceptance of goods or services and the distribution of the acceptance to Financial systems.

    Outcomes:
- Provide electronic acceptance documentation that is timely and accurate to support Entitlement.
- Provide data that enables contract administration.
- Enable proper posting of Accounting entries that identify performance against a contract, incurred liabilities and support the liquidation of contract financing.
- Enable timely recording of Government assets into accountable property systems of record and logistics systems.
- Reduce or eliminate interest on late payments to vendors caused by missing or late acceptance.
- Reduce the cost of performing Entitlement.

Handshake 6: "Electronic Receipt and Processing of Requests for Payment"
    Definition:
- The electronic submittal and routing of payment requests to financial systems, including any required Government processing, reviews, or approvals of the payment request and prevalidation of the availability of funding.

    Outcomes:
- Pay vendors timely and accurately.
- Record accounts payable in Accounting systems accurately.
- Reduce or eliminate Anti-Deficiency Act violations.
- Reduce or eliminate interest on late payments to vendors.
- Reduce the cost of performing Entitlement.

Handshake 7: "Pay the Vendor and Record Disbursement"
    <u>Definition:</u>
- The submittal of a ready to pay file from Entitlement to the designated Disbursing Office to enable transmission of a payment to the vendor.

    <u>Outcomes:</u>
- Pay vendors timely and accurately.
- Record Entitlement entries in Accounting systems appropriately.
- Reduce or eliminate Anti-Deficiency Act violations.
- Reduce or eliminate interest on late payments to vendors.
- Reduce the cost of making payments.

Handshake 8: "Report Payments to Treasury"
    <u>Definition:</u>
- Receipt of confirmation of disbursement by financial systems, the sharing of that data with procurement, and reporting of disbursements to or by Treasury.

    <u>Outcome:</u>
- Provide auditability and transparency of the DoD's payments to vendors.
- Provide payment information to support monitoring of contractor performance and contract closeout by Procurement

Handshake 9: "Distribution of Contract Completion Statement"
    <u>Published SOP:</u>
- https://www.acq.osd.mil/dpap/pdi/p2p/docs/Handshake_9_SOP_20200109.pdf

4   Roles and Responsibilities

Roles and responsibilities will be established for each of the 9 P2P Handshakes in their respective SOPs.

5   Concluding Remarks

The Director, DPC and DCFO will continue to work with Components to develop detailed standard operating procedures and policy updates that are specific to each data exchange/handshake described in this document. Each SOP will aim to translate and clarify functional requirements to actionable implementation plans and system impacts.