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DEPARTMENT OF DEFENSE

PROCURE-TO-PAY

& Financial Audit Training Symposium

Contract Data Quality

Presented by: Bruce Propert

What Problem are We Trying to Solve?

- Ensure customers get what they need
- Ensure compliance with applicable law and regulation
- Support automation of payment and accounting
- Enable auditability by creating a clear trail from funding through contract to asset
- Enable analysis of contract data
- Enable automated tracking and reporting of contract funding and deliverables
- Support logistics traceability of supplies



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Critical Pieces of Contract Quality

- Who? – Does the data clearly and correctly identify the issue office, admin office, pay office, and contractor?
- What? – Do the line items clearly define what is to be delivered?
- Where? – Does the line item data identify where the supplies are to be delivered or the services performed?
- How?
 - Does the contract clearly specify how compliance will be determined and by whom?
 - Is it clear how and when payment should occur?
 - Are the necessary clauses included?



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Top PDS Errors on Issued Awards in FY23 Q1-Q2*

*Excludes DLA Awards

Top Clause Errors FY23 Q1-Q2

Error Description	% Total Awards
52.213-4 Terms and Conditions - Simplified Acquisitions (Other Than Commercial Items) OR 52.232-40 Providing Accelerated Payments to Small Business Subcontractors (Both cannot be provided)	5.3%
52.212.xx clauses cannot appear on forms other than the SF 1449	3.0%
252.204-7012 Safeguarding covered defense information and cyber incident reporting	2.4%
Clause Can't Be Listed More than Once	2.0%
One and only one instance of the clause can be provided	1.5%
252.232-7010 Levies on Contract Payments	1.5%
252.232-7003 Electronic Submission of Payment Requests and Receiving Reports	1.3%
Incomplete Set of GFP Clauses	1.3%
252.211-7003 Item Unique Identification and Valuation required on Supply Contracts	1.3%
252.203-7000 Compensation of Former DoD Officials	1.3%
52.209-10 Prohibition on Contracting With Inverted Domestic Corporations	1.2%
52.204-19 Incorporation by Reference of Representations and Certifications	1.0%
52.204-23 Software, and Services Developed or Provided by Kaspersky Lab and Other Covered Entities (or alternatives: 52.212-5 or 52.213-4)	1.0%

Top Non-Clause Errors FY23 Q1-Q2

Error Description	% Total Awards
Missing Acceptance Address	18.3%
Missing Reference Number / Purchase Request Details	18.1%
FFP Line Items only allow one delivery payment for Quantities of 1	18.1%
Input is not a meaningful value	6.1%
Missing Purchase Request Details	5.2%
Missing NAICS	5.0%
An order was created off of a DoD Ordering Instrument when the FSS Order radio button was selected	4.3%
Misuse of Lot	3.7%
Missing Payment Instruction Table	3.3%
Delivery Prior to Effective Date	3.0%

There were 54,179 Non-DLA DoD Awards validated via PDS in FY23 Q1-Q2:

- 49,180 Passed (91%)
- 4,999 Failed (9%)



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Top problem: Line items that do not match how the contract will be executed

PDS errors:

- FFP Line Items only allow one delivery payment for Quantities of 1
- Misuse of Lot (i.e. on a supply line item for a non-bulk commodity)
- \$1 Services or Supply Line Item
- Supply w/ Period of Performance

DFARS PGI 204.7103(d)

(i) Supplies: Line item quantities shall match the actual count of the supplies to be provided. For instance, if more than one delivery is expected, the quantity cannot be “1.”

(ii) Services: Line item quantities shall match the frequency with which performance will be reviewed, and on fixed-price line items, payment made. For example, a contract with a twelve-month period of performance should have a quantity and unit of measure suited to how the contract will be managed. If the intent is to review, accept, and pay for the services monthly, then the quantity should be 12, with a unit of measure such as “Months” or “Lots.” If the intent is to review, accept, and pay for the services quarterly, then the quantity should be 4, with a unit of measure such as “Lot”. If the quantity used is 1, then no payment for delivery can occur until the end of the period of performance. Services with tangible deliveries, such as repairs, shall be structured like supply line items.



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Selecting Units of Measure

- The unit of measure should describe how the item is going to be
 - Delivered
 - Accepted
 - Paid for (if fixed price)
 - Stocked – i.e. Unit of Issue
 - Managed
 - Accounted for
- Do not use units of measure that lump several things together as one lot, kit, or batch unless the item will be delivered, managed , and accounted for that way
- Market research can be used to determine standard ordering and delivery practices in an industry, including applicable units of measure
- Work with accounting to ensure the line items support accounting for the assets



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Selecting Units of Measure

This is an example of the kind of information market research may uncover that may affect selection of units of measure. If this example is representative of other suppliers, buying by the foot would not be effective.

60 GAUGE CAST STRETCH WRAP – For loads up to 1,600 lbs.

ORDER IN CASE QUANTITIES

MODEL NO.	SIZE	GA.	LBS./ CASE	CASES/ SKID	PRICE PER ROLL (4 ROLLS/CASE)				SKID LOTS	ADD TO CART		
					4	8	16	24+				
S-3210	12" x 2,000'	60	28 lbs.	36	\$18	\$17	\$16	\$15	CALL FOR QUOTE	<input type="text" value="4"/>	rolls	ADD
S-3211	15" x 2,000'	60	35 lbs.	24	20	19	18	17		<input type="text" value="4"/>	rolls	ADD
S-3212	18" x 2,000'	60	41 lbs.	24	\$18 per roll any case quantity					<input type="text" value="4"/>	rolls	ADD



Source: https://www.uline.com/BL_2966/Uline-Cast-Stretch-Wrap?keywords=xyzulinestretchwrap

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Is it a Good or a Service?

- Some things are “goods-like” services – e.g. repair/refurbishment of goods. These things should be coded as a service (PSC), but given a delivery date and otherwise behave like a good.
- Some things are “service-like” goods – e.g. software licenses. In this case, a period of performance would apply.
- If the deliverable is tangible, but a service, such as a repair, a supply-type delivery schedule applies.



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Unit of Measure – Travel Example

Real Contract Example of inappropriate use of a unit price of \$1

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	
	AMOUNT				
0002	ODCs – Tasks 1-4 FFP	10,000	Lot	\$1.00	\$10,000.00

This is a line item for travel to be billed as Other Direct Costs.
What is the deliverable that is worth \$1?



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Zero Quantity, Zero Unit Price?

- Unit price is not allowed to be zero because it is the price to be paid for a priced item. Providing supplies or services for free could be construed as an illegal enhancement of appropriations.
- Not Separately Priced line items do not have a unit price.
- Cost Type Contracts do not have unit price. In that case, Unit Price should not be included at all (vs reading as zero).
- Option Line Items are sent with a unit price and quantity, but no funding.



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Units of Measure – Do Not Use Dollars

•	CLIN	Supplies / Services	Quantity	Unit	Unit Price	Total
•	0001	PLUS Performance Plan	16500	US\$	\$1.00	
		\$16,500.00				
•		Serial#: Catalog #:				
•		Line Pricing Type : FFP				
•		Not to Exceed Amount: \$16,500.00				
•		Period of Performance: From 19-NOV-2011 To 18-NOV-2012A				
Wrong Way						
	CLIN	Supplies / Services	Quantity	Unit	Unit Price	Total
	0001	PLUS Performance Plan	1	Year	\$ 16,500.00	
		\$16,500.00				
		Serial#: Catalog #:				
		Line Pricing Type : FFP				
		Period of Performance: From 19-NOV-2011 To 18-NOV-2012A				
A Right Way						
	CLIN	Supplies / Services	Quantity	Unit	Unit Price	Total
	0001	PLUS Performance Plan on	1	Year	Estimated Cost	
		\$15,750.00				
		Serial#: Catalog #:				
		Line Pricing Type :CPFF				
		Period of Performance: From 19-NOV-2011 To 18-NOV-2012A				
					Fixed Fee \$750.00	
A Right Way						



Do consider the contractor's cash flow

Example:

0001 Study 1 Lot \$2,200,000

\$2,200,000

FFP

Period of Performance 21 Months

- How does the contractor stay solvent long enough to do the work? Consider progress payments, performance based payments, or interim deliverables as additional line items.
- Remember, the only ways we can send contractors money is through contract financing or through payment for delivery of a line item quantity.



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Appropriate use of \$1 unit price

\$1 Items



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McChicken®
[Learn more](#)



Sausage Burrito
[Learn more](#)



Any Size Soft Drink
[Learn more](#)



Screenshot from <https://www.mcdonalds.com/us/en-us/full-menu/123dollar-menu.html>

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Think about Pricing

- Example 1 - IDIQ for training worldwide
 - Classes may be fixed price because the effort per class is well known
 - Locations may not be known at award
 - Cost for travel per class could vary from negligible (e.g. same city as trainer) to large (e.g. Okinawa)
 - Separate line item for travel is appropriate
- Example 2 - Professional services contract – 5 FTEs estimated \$1M (2000 hours per FTE per year at \$100/hr)
 - Effort may include occasional trips to local locations and up to one conference for one person
 - Cost of conference trip approximately \$2K, or 0.2% of total, equivalent to 20 hours of work



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Think about payment

- Generally, payments are made at the unit price listed in the contract when the items or services are delivered and accepted
 - Three way match of contract, invoice, and acceptance document (e.g. receiving report)
- Other scenarios
 - Cost type contracts, including time and material and labor hour, are paid based on costs/hours incurred no more than every two weeks
 - 52.216-7 Allowable Cost and Payment, 52.232-7 Payments under Time-and-Materials and Labor-Hour Contracts
 - Construction and Architect-Engineer contracts provide for interim payments based on estimates of the value of work performed
 - 52.232-5 Payments under Fixed Price Construction Contracts, 52.232-10 Payments under Fixed Price Architect-Engineer Contracts
 - Financing based on costs
 - 52.232-16 Progress Payments
 - Performance based payments or Commercial Financing



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Think about funding

- FAR 4.1003 Establish separate line items for deliverables that have the following characteristics except as provided at 4.1005-2:
 - (c) Single accounting classification citation. A single deliverable may be funded by multiple accounting classifications when the deliverable effort cannot be otherwise subdivided.



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Line item and subline item numbers used to describe multiple deliverables with multiple sources* of funding

0001	Nachos	1	each	Single non-severable line item with multiple funding sources (using Info SLINs)
	000101 Joe*, 000102 Mark*, 000103 Diane*, and 000104 Kris*			
0002	Beef burrito	1	each	Separate subline items for funding sources (using deliverable SLINs)
	Joe			
0003	Chicken Chimichanga	1	each	Single non-severable line item with multiple funding sources (using Info SLINs)
	Mark			
0004	Quesadilla			
	0004AA Diane	1	each	
	0004AB Carol	1	each	
0005	Sangria	1	pitcher	
	000501 Joe*, 000502 Mark*, and 000503 Diane*			



Line item and subline item numbers used to describe multiple deliverables with multiple sources of funding

0001 AN/DKT-61 Telemeters

0001AA Navy	215	Each
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0001AB Air Force	128	Each
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0001AC SDAF	22	Each
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0001AD FMS country 1	8	Each
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0001AE FMS country 2	11	Each
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0002 First Article Test	1	Lot
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000201 Navy Funding

000202 Air Force Funding

000203 SDAF Funding

000204 FMS country 1

000204 FMS country 2

SLINs to show different deliveries to the different funding services.

Info SLINs used on a non-severable CLIN to show the different funding sources.



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Contract Data Quality – Incremental Funding vs Progress Payments

Incremental Funding

- Where the total cost is known, but full funding is not currently available, the DoD may provide an initial funded amount and then add funding through contract mods as it becomes available.
- Quantity and Unit Price are provided for the total amount, with funded amount provided. (Quantity x Unit Price > Funded Amount)
- DFARS 232.705-70 applies to incrementally funded fixed-price contracts. It prescribes DFARS Clause 252.232-7007 to be inserted into the contract. The clause identifies the amount to be funded on this contract action, limits the government's liability to funded amount, and provides a schedule for when additional payments are intended to be provided.
- In PDS: <ProcurementInstrumentAmounts/ Other Amounts/ Amount Description> must be used to provide the funded amount and the total estimated cost.

Progress Payments

- DFARS 232.5 covers progress payments based on cost. Various clauses may need to be in the contract depending on the situation (e.g. Foreign Military Sales, small business, etc.).
- Progress payment rate is established in the contract.
- Payments are made based on request, and based on costs incurred.
- The whole contract may be funded at once or incrementally.



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Think about Performance

- PDS errors:
 - Missing Acceptance Address
 - Supply w/ Period of Performance
 - Delivery Prior to Effective Date
- DFARS PGI 204.7103(a)
 - (3) Delivery and acceptance locations shall be defined using Activity Address Codes published in (1) DoD Activity Address Directory (DODAAD), DoD 4000.25-6-M, or (2) Military Assistance Program Address Directory System (MAPAD), DoD 4000.25-8-M and available for verification at <https://www.daas.dla.mil/daasing/default.asp>.
 - (4) No activity shall be assigned acceptance responsibility unless that activity has acceptors registered in Wide Area WorkFlow (WAWF). Available roles for an Activity Address Code can be verified at the Active DoDAACs & Roles link on the WAWF homepage at <https://wawf.eb.mil/>.
- Actual deliveries are compared to contract delivery dates in generating ratings in Supplier Performance Risk System



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Deliveries and Sublines

*“Each deliverable line item or deliverable subline item shall have its own **delivery schedule, destination, period of performance, or place of performance** expressly stated in the appropriate section of the procurement instrument (“as required” constitutes an expressly stated delivery term). When a line item has deliverable subline items, the delivery schedule, destination, period of performance, or place of performance shall be identified at the subline item level, rather than the line item level.” (FAR 4.1005-1(c))*

- The fact that there is more than one delivery date, destination, performance date, or performance point may be a determining factor in the decision as to whether to establish more than one contract line item.
- Delivery Schedule/Period of Performance
 - For goods: Note here there is a distinction between delivery **schedule** and delivery **date**. If you have a series of dates, those can all go on the same line item (CLIN, SLIN, or ELIN) (e.g. 12 deliveries over the course of the year). But if you have more than one or schedule (a series of dates), you need separate CLINs or SLINs for each.
 - For services: More than one period of performance requires separate CLINs or SLINs.
- Delivery Destination/Place of Performance
 - For goods: Multiple deliveries on multiple days, but to different locations. DFARS allows you to have multiple destinations on the line item, but FAR doesn’t. If you have more than one delivery location, you need a separate CLIN or SLIN for each.
 - For services: Multiple places of performance requires separate CLINs or SLINs.
- “If a contract line item has more than one destination or delivery date, the contracting officer may create individual contract line items for the different destinations or delivery dates, or may specify the different delivery dates for the units by destination in the delivery schedule.” (DFARS 204.7103-1 (a) (3))



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Line item descriptions are important

- Some actual item descriptions for supplies on firm fixed price contracts:
 - A111
 - CK STAIR BRACKET LEFT SIDE made in accordance with drawing M5825.
 - Goodyear Tires The contractor The Goodyear Tire & Rubber Company shall provide Goodyear Factory New Tires as shown in enclosed Spreadsheet under Section C. (Quantity 1 Job, Firm Fixed Price)
 - MOSPB Central Area Supplies Miscellaneous Operating Supplies & Paper Bags POP 11-1-20/10-31-21 (Unit Price \$1.00)
 - Plywood Construction 1/2 in x 4 ft x 8 ft 4 ply CDX Plywood
 - PRODUCTION QUALITY
 - Supplies/Products
 - BATTERY
 - Option Period 2
- Which of these can be used for price comparisons?



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Policy Update

- Keep an eye out! DFARS 204.7103 will be replaced with 204.10 coverage soon.
 - Aligns coverage under FAR 4.10
 - Removes coverage that duplicates FAR 4.10
- A line item guide is on the way



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Things to Consider When Building Line Items

- Assign a quantity and unit of measure that describes how the items are going to be delivered or tasks performed
 - Consider how supplies will be packaged, shipped, and inventoried
 - Consider how often services will be accepted and paid for
 - Consider if the item is Not Separately Priced
 - Note that for the solicitation this consists of identifying what items require prices or estimated costs so the offeror knows what to fill in
- For supplies, how items are to be packaged and marked



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Things to Consider When Building Line Items

(continued)

- Where, by whom (organization), and against what criteria inspection and acceptance will occur
 - Does the acceptance DODAAC do acceptance? (WAWF Query)
- When to assign a delivery location and schedule(supplies) vs place and period of performance (services)
 - What about contracts for repair or refurbishment?
- The funding line(s) – are there more than one? Is there likely to be additional funding later?
- Any clauses or special provisions applicable to that line item and not applicable to the entire effort
- If there is the potential for separate evaluation by line item to enable separate awards, ensure this is clearly addressed in the proposal instructions and evaluation criteria



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10 Basic questions

1. What do we expect the contractor to deliver (list hardware, services, software, and data)?
2. Do we have a line item, sub-line item, or exhibit line item for each answer to #1? Do we have ACRNs assigned to each in section B? Do the totals by ACRN, CLIN, and line of accounting match?
3. When is each item due to be delivered?
4. How much will the contractor get paid?
5. Are there interim payments before delivery? If so, on what basis? How are billings apportioned across funding lines?
6. When will the contractor get paid? What documentation will be required to effect payment?
7. How is the timing of contract payments related to deliveries?
8. Is it clear in the line item structure and sections F - I how payments relate to delivery?
9. What constitutes acceptable performance? How is it measured?
10. How do the inspection and acceptance criteria in section E relate to the answers to 9?

*If you can't answer these questions,
do not sign the contract.*



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